

TREASURY

OF 83/154/01 B

FILE NUMBER

OF 83/154/01 PART B.

FOR DISPOSAL ADVICE SEE INSIDE COVER

DATE

SIGNATURE

DISPOSAL DIRECTIONS

YEARS

DESTROY AFTER

PRESERVE

FILE BEGINS

20/6/55

ENDS

9/10/59

FILE TITLE

PLAN ISRAEL - ARAB SETTLEMENT
INVOLVING ISRAEL COMPENSATION TO ARAB
REFUGEES.

FINANCIAL IMPLICATIONS TO H.M.C.
(OF INTEREST)

W
1961

Group T
Class 236
Piece 4424

FOR REGISTRATION USE ONLY

REFER TO

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I. DOWNGRADE	II. DECLASSIFY
Downgrade	Declassify
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to	
on	
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TREASURY

FILE BEGINS 20-6-55 ENDS 9.10.59

PART B

FILE TITLE

FILE NUMBER

Plan for Israel - Arab Settlement involving Israel compensation to Arab Refugees. Financial implications for H. M. G. (O.F. interest)

OF

83/154/01

INDEX HEADINGS

Israel.

Refugees and Displaced Persons.

1958

CLASS No T 236
PIECE No 4421

0103/154/01 B

REFER TO	DATE	REFER TO	DATE	REFER TO	DATE
Mr Potter	26/7/55	(80) Secret Registry mem	18.1.57		
Secret Regy <i>to</i>	2/8/55	83 SR <i>to</i>	9/4/57		
Secret Regy <i>to</i>	3/8	Mr Johnston	12/6/57		
Secret Regy <i>to</i>	15/10/55	(93) Secret Registry mem	28/8/57		
Mr Johnston	9/1/56	(93) Secret Registry mem	26.3.58		
58 Secret Regy <i>to</i>	26/1/56	# 1 JUN 1958			
IFCS <i>to</i> p. 68-71	13/3/56	# 3 FEB 1959			
IFCS	13/3/56	(93) Secret Registry mem	13/2/59		
73 Secret Regy <i>to</i>	15/3/56	P.A. as above mem	8.6.59		
Mr. Adcock	21/3/56	P.A. (95) mem	24.6.59		
Secret Regy <i>to</i>	28/3/56	P.A. (99) mem	15.10.59		
Secret Regy <i>to</i>	21/4/56	Mr G Lucas	23/5/62		
Secret Regy <i>to</i>	21/5/56	24 MAY 1962			
OFCS	12.11.56	Bundle <i>to</i>	24/5/62		
Mr Armstrong	12.11.56	O.F.C.S.			
Secret Regy <i>to</i>	12.11.56	24 SEP 1962			
P.A. (80) mem	18.5.59	Bundle <i>to</i>	23/9/62		

PREPARED TO BE REPRODUCED
 IN 1953

AFTER COMPLETION REFER TO :-

RELATED FILES

IF 592/238/01 (T.S.)

CROSS REFERENCED UNDER :—

Means & Securities

Israel

Planning :

Palestine

U.N.R.W.A.

Jordan.

Water Supply.

Conferences.

U.S.A.

*IFXR
Palestine*

CABINET DOCUMENT

REFERENCE See below

DATE See below

REMOVED AND DESTROYED.

FOR COMPLETE SERIES SEE CAB (CABINET OFFICE) CLASSES

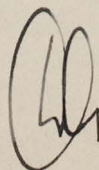
SIGNED		DATE
	<i>D. Lathew</i>	<i>12/5/86</i>
CM (55)	2 nd cond.	14/7/55
	27 th cond.	28/7/55
OME (57)	10	20/2/57
	8 th mig.	-/2/57
	12 th mig.	15/3/57

MR. RICKETTPalestine Settlement

Last Thursday when the Cabinet discussed this matter they approved the Foreign Secretary's proposals in principle but invited the Chancellor to discuss further with the Foreign Secretary the "form and scale of the financial assistance which the U.K. Government should accord to the Israel Government under the plan".

This apparently takes account both of the Chancellor's point that the amount of the Government-to-Government loan should be reduced, and of the objections which he voiced to the proposals for the sale of Israeli bonds.

The first point ^{is} ~~was~~ primarily for ~~S.F.~~ ^{I.F.} and I am in touch with Mr. Drake about how we should deal with this in future discussions with the Foreign Office. On the second point, somewhat unfortunately, the Minister of State for Foreign Affairs revived in the Cabinet the idea that, as an alternative to the sale of bonds, the Government of Israel might be given access to the London market. We had thought that we had convinced the Foreign Office that this was quite impracticable. It seems that we shall now have to deal with it in a rather more formal manner, and I attach a draft letter for you to send to the Deputy Governor in order to get a formal expression of the Bank's views (the views which I have set out in the draft are based on ^a ~~the~~ word which Sir Leslie Rowan had with the Governor some time ago).



(W. ARMSTRONG)

20th June, 1955.

DRAFT letter from Mr. Rickett to the Deputy Governor, Bank of England.

Palestine Settlement

We were most grateful for your very prompt and helpful letter of 10th June on this subject.

The matter was recently considered by Ministers, when the proposals of the Foreign Secretary were agreed in principle; the Chancellor is ^{to discuss further with the Foreign Secretary} the form and scale of the financial assistance which the United Kingdom Government should accord to the Government of Israel under the plan.

In the light of the difficulties raised by the Chancellor to the proposal that the Government of Israel should be allowed to sell bonds in this country, the suggestion was made that, as an alternative, the Israel Government should be given permission to raise up to £15 million in the London market. This is, of course, not a new suggestion, but one which we thought that we had convinced the Foreign Office was quite impracticable. On the basis of a word which Rowan had with the Governor, ^{we} ~~he~~ told the Foreign Office some time ago that we did not believe that it would be possible for the Government of Israel to raise any money at all by a public issue in London. Moreover, of course, the difficulties which we have all felt about the bonds proposal, because of the effect on our relations with the Commonwealth and Scandinavia, would apply to this idea also - and to my mind to an even greater degree. The one thing that can be said about

the bond-selling proposal is that it is quite extraordinary, that it has many of the features of a charitable appeal, both in the public to which it is addressed and in the way in which it is organised, and that there is some chance that it might tap some funds which could genuinely be regarded as available only to this special borrower.

We have it in mind to suggest to the Chancellor that he should follow this line in his discussions with the Foreign Secretary, and I shall be glad to know whether you agree and whether you have any additional points which you would wish us to put forward.

(Looks like an argument in favour)

Mr. Armstrong 4

SECRET

20th June, 1955.

Palestine Settlement

We were most grateful for your very prompt and helpful letter of 10th June on this subject.

The matter was recently considered by Ministers, when the proposals of the Foreign Secretary were agreed in principle; the Chancellor is, however, to discuss further with the Foreign Secretary the form and scale of the financial assistance which the United Kingdom Government should accord to the Government of Israel under the plan.

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/the Foreign Office

H.C.B. Mynors, Esq.,
Bank of England.

5
~~12/1~~

the Foreign Office some time ago that we did not believe that it would be possible for the Government of Israel to raise any money at all by a public issue in London. Moreover, of course, the difficulties which we have all felt about the bonds proposal, because of the effect on our relations with the Commonwealth and Scandinavia, would apply to this idea also - and to my mind to an even greater degree.

We have it in mind to suggest to the Chancellor that he should follow this line in his discussions with the Foreign Secretary, and I shall be glad to know whether you agree and whether you have any additional points which you would wish us to put forward.

D. H. F. Rickett

(D.H.F. RICKETT)

Mr. Richett

I agree that the words you have marked can be deleted.

They express one of the reasons why I, if I had to choose between the schemes, would prefer the bond-selling; but there is, of course, a quite sufficient reason already — the impracticability of a market issue.

W
20/6

14/6/6

in the meeting

Do we use the
words from 4 to 6
+ at the end of
your third paragraph?

We don't like
reiteration of these purposes
do we? If not, we
need not say that we
like our balance than
our own.

D. H. F. Rickett

DNAR
206

Mr Lambert

The way is unclear for a letter to the F.O. Subject to the cover of 1.5.
I think the words could best be changed in a letter from me to Sandburgh

SECRET

Bank of England

23/6

has anything
This confirms
our views.

22nd June 1955.

DRR 23/6

Dear Rickett,

Many thanks for your letter of the 20th June about Palestine. Without (of course) having made any particular enquiries, we should advise that a public issue in this market by the Government of Israel for £15 million or, indeed, for a far lesser amount was not a practical possibility. Market underwriting is certainly out of the question as is, I assume, an H.M.G. guarantee.

The only good defence against criticism by other would-be borrowers in this market would be that the operation was expressly part of a general settlement in an explosive part of the world. If this can be established, perhaps the form of the borrowing is not so important: but I should be inclined to agree with you that the less like a normal issue the better, from this point of view.

Yours sincerely,

A.C.B. Mynors

D.H.F. Rickett, Esq., C.B., C.M.G.

Your Ref.....



Mr Potter

Mr. W. Armstrong

With the Compliments of

Mr. A.E. Drake

TREASURY CHAMBERS
Great George Street
London, S.W.1

IF.592/238/01

28th June, 1955

Dear Rose,

You will be aware that when the Cabinet discussed the plan for a Palestine settlement on Thursday 16th June they invited the Chancellor to discuss further with the Foreign Secretary the form and scale of the financial assistance which the U.K. Government should accord to the Israel Government in the plan. This takes account both of the Chancellor's point that the possibility of reducing the amount of the Government loan should be examined, and of the objections which he voiced to the proposals for the sale of Israeli bonds.

The latter point is being taken up by William Armstrong. This letter deals with the former.

You will be aware, from the Chancellor's own paper on the subject, of the balance of payments difficulties which make it essential for us to keep any Government loans to Israel in this connection to a minimum. I fully appreciate the embarrassment vis-a-vis Americans if we should appear to be dragging our feet. But at the same time the £15m. which has been talked about so far represents a considerably higher proportion of the total than we normally contribute to the expenses of UNRAA. Since 1952 we have normally contributed about 18% or 19% of the total funds of the latter, and the contribution has worked out at 26% or 27% of the American contribution. In the present case if the total from countries other than Israel is to be £70m., and the Americans are

/to

C. M. Rose, Esq.,
Foreign Office,
Downing Street,
S. W. 1.

to contribute £50m., £15m. from us would be over 21% of the total and 30% of the American contribution. It does not seem fair that we should be asked to go so far.

What we in the Treasury would like would be that our offer of a Government loan to Israel should be limited to £10m. If, however, you think that it would be impossible to get away with so little, we might be prepared to ask the Chancellor to consider £12½m. This would be about 18% of the total, and about 25% of the American contribution.

I should be glad to know your views on this matter.

Yours sincerely,

A. L. BRAKE

1/2/51

E.R.

~~Type~~ / WA

10/29

MR. ARMSTRONG

Plan for Arab/Israel settlement

'A' Your minute of 23rd June.

'B' Please see Mr. Drake's letter of 28th June to Mr. Rose.

'C' I submit a draft letter from you to Mr. Shuckburgh. *(Draft cleared with Mr. Lees.)*



(A. K. POTTER)

29th June 1955

SECRET

DRAFT letter to C.A.E. Shuckburgh, Esq., C.B., C.M.G.,
Foreign Office.

c.c. H.A.F. Rumbold, Esq., C.M.G., C.I.E
Commonwealth Relations Office

A.E. Drake

S.L. Lees

Dear Shuckburgh,

Plan for Arab/Israel settlement

When the Cabinet considered this matter on 16th June they invited the Chancellor to discuss further with the Foreign Secretary the form and scale of the financial assistance which the United Kingdom Government should accord to the Israel Government.

2. The Chancellor had informed Cabinet that provided he had reasonable assurance that we should not find that we had given Israel assistance without in fact securing a settlement of the outstanding issues between her and the Arab states, he would be reluctantly prepared to agree -

(a) that H.M.G. should make a loan to the Government of Israel

(b) that permission should, if necessary, be given for the Israelis to raise up to £15 m. over ten years by the sale of Israel Government bonds in the U.K.

As regards (a), the Chancellor expressed a wish to consider further whether the loan should not be for a smaller amount than the £15 m. proposed. As regards (b) he expressed the hope that we should take no initiative in offering the Israelis special facilities for raising money here.

3. Drake has taken up the discussion of the proposed U.K. Government loan in his letter to Rose

/dated

dated 28th June. The present letter deals with the question of facilities for the Israelis to raise money from the public in this country..

4. Your Minister of State told Cabinet that he did not regard facilities for the sale of Israeli bonds as an essential feature of the plan and that he would be content with the grant to the Israel Government of permission to raise up to £15 m. on the London market. There was support in Cabinet for the view that the grant of access to the London Market would be preferable to granting facilities for the sale of bonds.

5. You will remember that I told you last April, on the basis of advice from the Bank of England, that it would not be possible for the Government of Israel to float a loan of the order of £15 m. on the London Market. The Bank of England have now, without of course having made any particular enquiries, confirmed their advice that a public issue for £15 m., or indeed for a far lesser amount, would not be a practical possibility. They are also inclined to agree that the difficulties we see from the point of view of the effect on our relations with the Commonwealth and Scandinavia would apply in even greater degree to a London Market issue than to the bonds proposal - which would have some features of an extraordinary charitable appeal, both in the public to which it was addressed and in the way in which it was organised.

6. In the circumstances we think it would be well to let the position rest with what the Chancellor put to Cabinet; namely that while we should take no initiative in offering the facilities to the

/Israelis,

E.R.

13
~~14~~

Israelis, we should be prepared to accede to a request, if made by the Israelis, that they should be allowed to raise, through the sale of bonds in the U.K., ^{over ten years} up to £15 m. of the £30 m. they are to provide from their own resources and the contributions of the international Jewish community.

7. I am sending a copy of this letter to Rumbold (C.R.O.)

Copy sent to: H.A.F. Rumbold, C.M.G., C.I.E., C.R.O. 14

Mr. Drake
Mr. S.L. Lees

Mr. Potter

1st July, 1955.

Dear Shuckburgh,

Plan for Arab/Israel Settlement

When the Cabinet considered this matter on 16th June they invited the Chancellor to discuss further with the Foreign Secretary the form and scale of the financial assistance which the United Kingdom Government should accord to the Israel Government.

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(a) that H.M.G. should make a loan to the Government of Israel;

(b) that permission should, if necessary, be given for the Israelis to raise up to £15 million over ten years by the sale of Israel Government bonds in the United Kingdom.

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/regards

C.A.E. Shuckburgh, Esq., C.B., C.M.G.,
Foreign Office.

15
~~16~~

regards (b), he expressed the hope that we should take no initiative in offering the Israelis special facilities for raising money here.

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~~16~~
16

6. In the circumstances we think it would be well to let the position rest with what the Chancellor put to Cabinet; namely that while we should take no initiative in offering the facilities to the Israelis, we should be prepared to accede to a request, if made by the Israelis, that they should be allowed to raise, through the sale of bonds in the United Kingdom over ten years, up to £15 million of the £30 million they are to provide from their own resources and the contributions of the international Jewish community.

7. I am sending a copy of this letter to Rumbold (C.R.O.)

Yours sincerely,

(W. ARMSTRONG)

Top
Secret.
✓

17

Mr. Lashley.

Alpha.

P. return CP(55) 35 + 36 to Private Office
(I have already returned CP(55) 96 dated
6th April to the Private Office)

Papers should then be filed and the file
returned to me.

J. 1/vii/55

Done
i/f

x

Mr. Potter

Mr. Shillito

Mr. Potter
Thanks.
EAS.

FOREIGN OFFICE, S.W.1.

1177

(VR 1076/124G)

July 5, 1955.

TOP SECRET

[cc. Mr. Drane

Mr. Lees

11/7]

My dear Bill,

Thank you for your letter of July 1 about permission for the sale of Israeli Government bonds in the United Kingdom.

2. I agree entirely that we should let this question rest as described in paragraph 6 of your letter.

I am sending a copy of this letter to Rumbold, Commonwealth Relations Office.

Yours

C. A. E. Shuckburgh

(C. A. E. Shuckburgh)

W. Armstrong, Esq., M.V.O.,
Treasury.

Mr. Baker

Top secret

Thank you

Mr. Richett

WVH

Mr. Armstrong

7/7

Alpha.

Mr. Richett mentioned this case today and said he would like to see the latest position.

Papers from page 4 in the attached file are relevant.

7/5/55

WVH

Top Secret

Mr. Lambert

Alpha

Please send copy of Mr. Shuckburgh's letter dated 5th July to Messrs. Drake & Lees.

2. Then send file to Mr. Shillito for perusal (I promised to send it.)

3. I have agreed with Mr. Drake that we will report to the Chancellor with reference to Conclusion (2) of CQ(55) 15th Conclusions, when the question of the amount of the ^{proposed} UK Govt. loan to Israel has been settled with the Fo at official level. There would be no point in reporting on the Bonds question separately.

4. What has become of the proposed letter to Mr. Nixon and the American Treasury repts. in the file?

J. G. v. 155

21
~~11/8~~

MR. POTTER

Alpha

1 and 2 done. I note 3. The letter in 4 was sent, signed by Russell Edmunds, but copy has not reached the file. I will ask him to attach it.

[on the LF file]

~~Hammer~~ 5
11/2

Mr. Potter. x in 7 - not in of. Am asking if

if they have it, which seems more likely.

BRITISH EMBASSY, 19/7

CAIRO.

Top Secret

Mr. [redacted]

P. H.

and reference for x in 7, if

I have had a word with Col RE +
Sergeant but he should send a copy of

With the compliments of

Mr. F. [redacted]
without delay.

18 vii / 55

22

British Embassy,

Cairo.

9th July, 1955.

~~TOP SECRET~~

Dear Russell,

I have now discussed your letter of 8th June, about compensation for Arab refugees from Palestine, with Murray, our Chargé d'Affaires, with Sterndale Bennett, the Head of B.M.E.O., and (in Beirut) with Crawford, Dale and Tomlinson. I have postponed my reply until Sterndale Bennett, with whom I had a preliminary talk in Nicosia, has visited Cairo. I have also had a passing word with Byroade, the U.S. Ambassador: he had received a report from Dale but he thought that, for the time being, the whole subject was "academic" and he has not, so far, taken up my offer to call on him for a further exchange of views.

2. Murray, Sterndale Bennett, Crawford and I are, I think, in broad agreement. Dale and Tomlinson had not heard from the State Department when I saw them in Beirut and I showed them your letter. They had little time to think over the problem but their views were very much in line with ours. Sterndale Bennett is writing separately to the Foreign Office and in this letter I will speak for myself alone, leaving it to Murray, Sterndale Bennett and Crawford to register their dissent if they differ violently from me. I need hardly say that in forming my opinions I have been greatly helped by my talks with them.

3. It seems to me to stand out a mile that it would be a bad mistake to deal with compensation separately from the larger problem of the resettlement of the Arab refugees. There are, of course, many entitled to compensation who are not in need of resettlement; in particular your category (e), consisting of families who would receive over £2,000 each and who on your estimates would take £50 million out of the £100 million, must include many who have established themselves successfully in the Lebanon or Jordan. But there can be no real "pacification" of the Middle East without a solution of the Arab refugee problem, and this is, I suggest, the framework within which compensation should be considered. If, compensation having been paid, there was still, for example, a large concentration of refugees in Jordan with no hope of being absorbed into the Jordanian economy, much of the money paid out in compensation would, in my view, have been poured down the drain.

4. The figure of £100 million which you mention is, I believe, the estimate made by the Refugee Office of the P.C.C. in 1951. I understand that it is also the lowest that the Arabs are likely to accept; they may indeed insist on more as the price for giving up their argument that repatriation is the only answer to the refugee problem. Assuming, however, that the £100 million were acceptable to the Arabs the proposal is that Israel should pay 10% out of her own exiguous resources, that world Jewry should lend Israel 20%, and that foreign governments should lend Israel the balance of 70%. This means that Israel would have to shoulder the whole £100 million even though she might have many years in which to pay off the loan element. I should expect the Israelis to think of the "compensation" which Germany is paying Israel under the 1953 Reparation Agreement and to argue thus:-

/(i) Germany

W. Russell Edmunds, Esq., O.B.E., T.D.,
H.M. Treasury.

- 24
- (i) Germany committed many atrocities against the Jews and lost a war.
 - (ii) The flight, voluntary or involuntary, of the Arab refugees, was one of the natural consequences of a war which Israel did not lose.
 - (iii) The Germans, to salve their consciences, are paying the equivalent of \$290 million in compensation to Israel over 10 years.
 - (iv) The population of Western Germany is 45 million as compared with Israel's 1.3 million.
 - (v) Western Germany is a viable country, with indeed a balance of payments surplus, whereas Israel is still far from paying her way.
 - (vi) Why should Israel, who did not lose a war, whose conscience is clear, and who is a small, poor country, entertain for a moment the figure of \$100 million if she has to pay it in the long run, however long the run may be.

With her own intractable balance of payments problem it would be difficult enough for Israel with the assistance of world Jewry to pay 30% of the sum. Notwithstanding Israel's apparent willingness in principle to pay compensation, \$100 million would, I feel, be quite out of the question for her except on the cynical assumption that she would default, as soon as possible, on the foreign loans. I should expect her to make great play with the need to compensate the Iraqi Jews who were, I believe, virtually expelled (to the considerable inconvenience of the banking and business life of Iraq) as well as with the losses which Jews in Palestine suffered during the war. Bearing in mind Israel's tactics with Barclays Bank in the matter of a loan for the unfreezing of the Arab balances, I should, also, expect her to say that she will only take a foreign loan to pay compensation to the Arabs if she is also given a substantial foreign loan to assist her in the vital task of making herself viable.

5. Whatever the figure for compensation might be, I think Israel would be anxious to pay a substantial part of the compensation in kind. The great attraction to Israel of peace with the Arab countries is that it would, she expects, give her opportunities of economic expansion in the Middle East. The Israelis have the industrial skills and the gift of diligence which the Arabs so notoriously lack. Israel could be the producer for Arab countries of a very wide range of products which require a small amount of raw material and a high degree of human skill; optical instruments, radio sets, pharmaceuticals are obvious examples. We may assume that, given an Israeli-Arab settlement, the economic blockade of Israel would be called off. But this does not mean that the Arab countries would be content to see Israel achieve a substantial degree of economic domination in the Middle East. They would, therefore, be reluctant to accept payment of compensation in kind. Even if this were not so, there would be substantial practical difficulties too. Wherever x% of the refugees are, there would presumably have to be an agency which would dispose in that country of a due proportion of the compensation paid in kind so as to be able to pay out to the refugees in that country the proceeds of the sales. Otherwise exchange difficulties might well arise. But there would not necessarily be any close relationship between the proportion of total refugees in any one country and the proportion of total "compensation goods" which that country could take. This

25

problem would be particularly acute without a solution of the refugee problem i.e. so long as 500,000 remained in Jordan; but it would not be resolved by redistribution of the refugees. Taking into account our own self-interest, as we must, we might also feel that it was not to our advantage to assist Israel to make heavy inroads into the Middle East markets for sterling exports upon which we shall have to rely increasingly to mop up the sterling earnings of i.e. Iraq. Nevertheless payment of compensation in kind might facilitate a solution of the problem and is worth more detailed consideration.

6. The problem of "whether and how the distribution of say £100 million of compensation could be effected without causing disastrous inflation" hinges, I think, on the relation between compensation and resettlement. I understand that the distribution of refugees at present is as follows:-

Jordan	500,000
Gaza	200,000
Lebanon	100,000
Syria	85,000

and that the more well to do are divided between the Lebanon and Jordan. There are resettlement projects in the Jordan Valley and Sinai. But the only answer to the refugee problem, as a whole, is that most of the refugees in Jordan and many of those in Gaza and the Lebanon should be resettled in Iraq and Syria. If compensation were paid without dealing with the resettlement problem, a very large proportion of the compensation would clearly go to Jordan. In that event and assuming the total figure for compensation were £100 million spread over 10 years, I would expect the inflationary pressure in Jordan to be appreciable. But given a solution of the resettlement problem involving the redistribution of the refugees the position would be very different. £100 million spread over 10 years and a number of countries does not present a very alarming picture. Moreover if Iraq were prepared to take a pretty large proportion of the refugees, she could afford, with her substantial sterling reserves, the sort of flexible import policy which could easily absorb any inflationary pressure caused by the payment of compensation. Whether Iraq would be prepared to do this, is, of course, another matter! Perhaps it could be presented as her opportunity to take the lead from Egypt in the basic Middle East problem which also happens to be one in which Egypt simply cannot afford to take the lead!

7. In the preceding paragraph I have assumed that the compensation would be paid in cash but that it would be related to a resettlement programme, i.e. in the simplest case a Palestinian uses his compensation mainly for establishing himself in Iraq in the way of life he enjoyed in Palestine. The payment of compensation in cash seems, indeed, to be envisaged by U.N. Resolution 194(iii) of 11th December, 1948, in which the General Assembly resolved "that the refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the Governments or Authorities responsible." If the payment of compensation is linked with resettlement, compensation might, in general, be paid to assist the beneficiaries in the process of resettlement. This may well present many individual problems but it would seem to be the worst possible policy to give, e.g. a category (b) family on the ration rolls in Jordan up to £100 for its free and unrestricted use; after a spree the family would remain, as before, on the ration

/rolls.

rolls. In view of this I would make the compensation payable only on two conditions: either that the recipient moved in accordance with a general resettlement programme or that he used the money to establish himself in some undertaking offering reasonable prospects of viability for him and his family. Your first group of claimants (£100 or less) would no doubt need additional assistance; but it is better that UNRWA or other international funds should be used on settlement rather than on maintenance. The lower ranges of your second group (£100 to £2,000) might also need assistance. (I agree that £2,000 is a reasonable figure for setting up a small-holding or small business.) As for the third group I would strongly support the suggestion that any compensation in excess of, say £2,000 should be in the form of a holding in some development bank or financial institution, unless the beneficiary can demonstrate that the compensation would be used for "productive" purposes. If there should be, in due course, an Arab Development Bank, compensation in excess of say £2,000 could be issued in the form of shares in that institution and, subject to any safeguards thought necessary, dealings in such shares could be permitted. (On his recent visit to Cairo Sterndale Bennett gave me a copy of M. Ingrand's Plan of 1953 which was apparently considered by the Foreign Office and presumably the Treasury. This Plan, of which I had not previously heard, seems to me pretty jejeune and I very much agree with the comment made to me by Sterndale Bennett that it is vitiated by the proposal that the figure of £100 million for compensation should be provisional and should have no bearing on the global amount of compensation.)

8. None of us think that it would be practicable for refugees resettled by UNRWA to "be required to hand over their compensation in part payment". Here again we come up against the link between compensation and resettlement. Some refugees (a small number) have already been resettled by UNRWA and more may be under e.g. the Sinai Scheme which is intended to cope with 50,000 people. Those already settled have not been called upon to surrender any claims they might have to compensation as a condition of resettlement and I do not think that they can be required to do so. Let us assume, however, that under a resettlement plan, a refugee is offered the opportunity of obtaining land in Iraq roughly equivalent to what he lost in Palestine. In such circumstances it is only right that, assuming he had received compensation in respect of the loss of the Palestine land, he should pay out of his compensation for the land in Iraq. This may mean different treatment for those few resettled in the past and those to be resettled in the future. I do not know precisely what assurance has been given to resettled refugees. But I do suggest that in any future resettlement programme linked to compensation it should be made clear that refugees will not necessarily be resettled at the expense of taxpayers throughout the world i.e. that in so far as the compensation they receive enables them to meet the costs of resettlement, wholly or partly, they will have to use their compensation for this purpose. The difference of treatment for those already resettled and those to be resettled may not be logical; but if there is a compensation plan linked to a resettlement plan it does not seem reasonable that the refugees should have their compensation and free resettlement.

9. I agree that the period over which compensation is paid may well have to be of the order of 10 years, and that priority should be based on the degree of poverty suggested by the size of the claim. Two comments, however, fall to be made:-

- (i) 10 years is an awful long time for disposing of the compensation issue and will certainly seem so to the beneficiaries.
- (ii) the timing of compensation payments and the resettlement programme will be a complicated problem.

10. You ask for my views on a suitable agency for dealing with this problem. The work involved is of two kinds, adjudication on claims and distribution of awards. I agree with Sterndale Bennett and Crawford that adjudication on claims is quite outside the normal experience or proper range of UNRWA. An expanded P.C.C. may well be suitable for this work. (I understand that there is some possibility that the P.C.C. may shortly start working on the identification and valuation of Arab immovable property in Israel.) UNRWA might be the Agency through which compensation is actually distributed. This would enable them to know which refugees can be immediately removed from their relief rolls. On the other hand, many entitled to compensation will not be on the UNRWA ration rolls. Perhaps an expanded P.C.C. should take on the whole job.

11. In your paragraph 12 you suggest:-

- (a) that all (i.e. Arab and Israel) claims other than those for Arab immovable property should be washed out!
- (b) that Arab Governments should ignore, and accept responsibility for ignoring, such claims from municipalities and other bodies or individuals.

I am far from happy about this. It is one thing to say that certain categories of claims are regarded as offsetting each other but a very different thing to say that such claims shall be ignored. I should have thought that the logical answer was that the Governments concerned should deal with the washed out claims as they saw fit. The practical snag, in this case, is that there are in fact only two Governments concerned, Israel and Jordan. The other Arab Governments are, I think, not affected at all, since whereas refugees in Jordan are Jordanian subjects, refugees in other Arab countries are not subjects of those countries. Two consequences follow. First, the Jordanian Government would have to cope with a large number of claims from Arab refugees other than for loss of immovable property. Secondly, other Arab Governments would refuse to recognize any such claims from refugees within their territory since they do not regard such refugees as their subjects. I do not know the answer. It seems inequitable that claims other than those for immovable property should be cancelled simply because they are offset. But it is also inequitable that the poor Jordan Government should have to meet most of such claims from refugees and that refugees in other Arab countries should have no redress at all.

12. That is as far as I can go at present. But I will continue to ponder on this intractable problem and as I hope shortly to be on leave in London we can perhaps have a talk.

13. I am copying to Sterndale Bennett and Crawford.

Yours ever,

(F. Milner)

E.R.

MR. PETCH

PALESTINE SETTLEMENT

Originals on P. 598/238/2

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There has been no time to do more than glance hurriedly through this paper.

I think the broad financial difficulty about the course proposed by the Foreign Secretary is as follows.

Under the previous procedure the U.K. and U.S. Governments would have gone privately to the Middle East countries primarily concerned and, in return for financial concessions which we should have endeavoured to keep within bounds, would have tried to secure their agreement to the scheme.

Under the procedure which the Americans wish to adopt, we shall publicly announce our acceptance of considerable financial liabilities in connection with the compensation which Israel is to pay to the dispossessed Arabs and also financial responsibilities in connection with resettlement plans. What is left entirely at large is the price which Egypt and the other Arab countries might demand for their acceptance of the scheme. Even Israel may say that she can only accept the scheme if further financial concessions are made.

It would seem to be desirable to indicate to the Americans that we could not see our way to accept, under the new procedure, larger financial liabilities than was envisaged under the old^x, notwithstanding the real danger that, under the new procedure, we may be faced with very much larger demands from the Middle East countries concerned as a price for their acceptance of the scheme. The Chancellor indicated that he was only prepared to accept the financial consequences of the scheme under the old procedure with considerable reluctance. Obviously he cannot accept further financial commitments, and it would only be fair to make this clear to the Americans at this stage.

A.J.
13th July, 1955.

* Exchequer assistance of £15m which we are trying to cut down to £10m. H.B. 13.7.55.

and, if requested by the Israelis, permission to raise up to £15m. through sale of bonds in the U.K. (F.O. have agreed to drop the idea of the Israel Government raising this sum through a London Market loan.)
A.K.P. 13.7.55.

MR. POTTER

18/7/55

VARIABLE ELEMENTS IN GROSS OVERSEAS
OFFICIAL EXPENDITURE

--- The attached notes and tables summarise the information that was provided in reply to Mr. Rickett's minute of 6th June and form the basis of the reply sent to Sir Leslie Rowan.

While we were not able to draw any definite conclusions from this exercise, Sir Leslie Rowan decided that the figures should be shown to the Economic Secretary. Since the whole exercise was carried out rather hurriedly, I am circulating these tables now, so that Divisions can make sure that we have interpreted their information correctly.

If you have any corrections or suggestions to make, I should be grateful if you would pass them to Mr. Burdett.

RU

15th July, 1955

*Mr. Van
Mr. Layton
(Alpha?)*

32

Variable elements in gross overseas official expenditure

1. Two tables are attached to this note, one for non-sterling countries and the other for the rest of the sterling area, itemising the gross present and prospective cost to the United Kingdom of certain elements in overseas expenditure.

2. In interpreting these tables, a number of important qualifications should be borne in mind:-

(i) Items deliberately omitted

The rule followed has been to omit expenditure that can be expected to continue without significant change within the period. This cuts out:-

- (a) Interest on, and repayment of government funded debt (e.g. service on North American loans).
- (b) Government overseas military and civil expenditure, except for new items likely to arise in the future (or past items not recurring) and grants to the Colonies for development and welfare and various kinds of special assistance. The total of the latter though not liable to vary very much, has a changing composition. It is made up of a number of individual projects that have to be approved as they arise. See (ii) below.

The tables also omit expenditure financed from private sources even where this is to some extent subject to official control. See further (iv) below.

(ii) Interpretation and measurement of variable elements

The items included in the attached tables do not all consist of explicit and measurable commitments. Moreover, the estimates do not represent the total size of new commitments entered into during a given period of time. They represent, instead a reasonable guess of the annual expenditure involved by the level of past and present commitments, as already known, and the level of future commitments that we can expect to have to meet, if present policies and attitudes continue. For example, there is no definite commitment to pay £25 million in 1958 for colonial development and welfare grants, but it is thought that this is the rate at which we can expect to be making such grants in 1958 on present indications.

(iii) Gross basis of measurement

There are repayments and other kinds of receipts directly offsetting the gross expenditure recorded in the tables. These have not been shown. For example the E.C.G.D. credit to Persia and the Argentine credit are shown gross, but not the later repayments.

(iv) Expenditure financed from private sources

There are several important groups of transaction which hardly rank as official commitments, but which nevertheless are of a capital nature and subject to

official approval. They have not been included in the attached tables, but details are given below:-

Non-sterling countries

- (a) Outward flow of long-term direct investment subject to control by Treasury (E.C.). This was at the rate of £25 million in 1954 and is expected to rise (on the basis of approvals already granted) to £40 million a year.
- (b) Issue of I.B.R.D. securities on London market. This was £6 million in 1954 and we are under pressure to allow a further £5 million in 1955.
- (c) E.C.G.D. guarantees. A very rough estimate of the shipments of capital goods exports under E.C.G.D. guarantees of credit for two or more years from the date of shipment is £10 million for 1954. The net increase in credit of this kind outstanding will probably be from £5 to £10 million a year.

Rest of Sterling Area

- (a) Government and municipal loans raised on the London market. These amounted to about £40 million in 1954. The state of the market this year may not allow this sum to be exceeded. In future years the amount might rise to £50 million.
- (b) Private investment (excluding oil) financed by means requiring consent from the Capital Issues Committee. This was about £50 million in 1954 (about two-thirds of all identified private investment in the R.S.A. excluding oil and subscriptions to government and municipal loans). This rate is expected to continue.

11th July, 1955

T.881-55

Variable elements in gross overseas official expenditure in non-sterling countries
(Provisional Estimates of Annual Expenditure)

£ million

	1954	1955	1956	1957	1958
<u>Expenditure financed from official funds</u>					
1. Contractual releases of blocked sterling:-					
(a) Egypt (new agreement being negotiated)	17½	17½	12	12	11½
2. Direct investment by the Government:-					
(a) Subscription to International Finance Corporation	-	5	-	-	-
3. Repayment of loans by H.M. Government:-					
(a) Portugal	-	4½	4½	4½	4½
4. E.C.G.D.					
(a) Persia	-	1	4	5	-
5. Argentine credit	-	10	10	-	-
6. Subventions to foreign governments and international organisations:-					
(a) Yugoslavia	1	2	-	-	-
(b) Korea Reconstruction Agency	3½	-	-	-	-
7. Military expenditure - special liabilities					
(a) Germany	-	-	60	80	80
(b) Canada - atomic energy	-	¾	¾	¾	-
(c) Payments to U.S.A. for "know-how"	-	-	1	2	2
(d) Cost of spares for equipment under end-item aid (if U.S. does not supply free)	-	-	[--- 4 a year ---]		
(e) Liability to U.S. Government for logistic support in Korea	-	-	20	-	-
(f) Special military equipment	-	-	5	5	-
8. E.P.U. debt repayments and contribution to European Fund	47	17	[17 a year plus contribution to Fund of 30]		
9. Use of "existing resources" by Sweden and Austria	-	17½	-	-	-
10. Total	69	75	[say, 135 to 150 a year]		

Variable elements in gross overseas official expenditure in R.S.A.

(Provisional Estimates of Annual Expenditure)

£ million

	1954	1955	1956	1957	1958
<u>Expenditure financed from official funds</u>					
1. Colonial development and assistance	.				
(a) Development and welfare grants	14	19	21	23	25
(b) Special assistance grants (including, for future, contingency allowance for, as yet, unknown items)	10	10	5	5	5
(c) Loans from Colonial Services vote	12½	11	5	5	5
(d) Loans by Colonial Development Corporation	4	7	7	7	7
2. E.C.G.D. credits (assuming proposal for fourth Indian steel plant goes through)	3	7	6	6	6
3. Technical assistance under Colombo plan	1	1	1	1	1
4. Volta river project	-	-	10	10	10
5. Uranium and atomic energy	4	5	3	2	2
6. Drawing on I.B.R.D. sterling releases	2	2	[10	10	10?]
7. Special military expenditure in Australia	-	4	1	-	-
8. Total	50	66	[-----	70-----	-----]

Position at end 1958

Colonial development and assistance will continue on same scale. Unexpired special commitments at end of 1958:-

- (a) E.C.G.D. credits (fourth Indian steel plant) £22 million (£40 million in all).
- (b) Volta river - £13 million (£43 million in all).
- (c) I.B.R.D. releases - £16 million (£60 million in all over 6 years from February, 1953).

OFCS-Mr

Mr. Lafford
Wd 30 please
explain the position
about Alpha is
Mr. Bradell notes

Mr. Potter

I think we have no
suggestions. Alpha is perhaps
too indefinite as yet.

36
83/154/01

Done
2/7

22/vii/55

22/7.

Col. Russell Edmunds

Variable elements in gross overseas official
expenditure.

You may have seen the attached. Mr. Potter
notes that Alpha might be concerned.

In spite of 2(b) I should have thought
that Jordan might have been included if we show
Persia and Argentina. I leave it to you however
whether you would suggest adding it.

TREASURY
25 JUL 1955
O. F. C. S.

18/7

Mr. J.S. in your hand

I find it rather difficult to follow ^{why} ~~what~~
the attached seems to leave out some items
It ~~then~~ seems to me that the primary base
is the level of other overseas expenditure
which may swing by the variable
elements in the attached. Jordan, therefore,
may be looked on as a stable run of
expenditure in our present level of
overseas expenditure

20.7.55

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see page 28

Col Russell Edmunds

The minutes referred to by Mr. Potter are not on our part of the file, but are probably on yours. Could you let me have copies of them, for our file and to be seen and shown ?

~~Hammer~~ 2
18/7

TOP SECRET

*Mr. Latham.
C.C. from Ottawa
to not a sight
of the replacement
of this. In 21/11/55*

MR. PLAYFAIR

c.c. Mr. Drake.
Mr. Potter.

GENEVA TELEGRAM NO. 42: ALPHA

1. I understand that the Minister of Defence may ask to see the Chancellor tomorrow (Thursday) on the suggestion in the attached telegram that we should give 10 Centurion tanks to the Iraqis in order to secure American acceptance of our views on Alpha.
2. Foreign Office Telegrams Nos. 3338 and 3339 (Flags B and C)) give the background to the Prime Minister's enquiry (Flag A). The issues at stake are huge, and it would be absurd to prejudice the chances of obtaining U.S. adherence to the Turko-Iraqi pact, or ~~of~~ financing the offshore purchase of 60 more Centurions for Iraq by the U.S. Government, by refusing to hand over 10 Centurions as a free gift (which is what Nuri and the Americans ^{probably} really want), if that is the determining factor.
3. On the other hand:-
 - (a) British policy in respect of Alpha itself is not yet the subject of a firm decision.
 - (b) Free gifts of weapons, particularly tanks, which are much in demand, are ^{highly} embarrassing since other countries such as Pakistan (also a partner in the Turko-Iraqi pact) think that we should do as much for them.
4. Other points are:-
 - (i) The Prime Minister is prepared, though reluctantly, to provide the tanks on easy-credit terms. This would certainly help to meet the objection in paragraph 3(b) above, but I must admit that the whole of Nuri's previous actions give the impression that this is not what he wants. Iraq is not short of money - in the past they have shown that nowadays they prefer to pay the cash and let the credit go. What Nuri wants is to be able to tell his people that he has got a formidable collection of tanks free.
 - (ii) If this view is correct, and if it is eventually decided to make a British gift of 10 Centurions (value about £450,000), the method of making the gift will be of some importance in order to avoid as far

as possible the unfavourable repercussions elsewhere. At first blush, it would seem desirable that the cost should be borne on the F.O. Vote, i.e. the Iraqis would be given the money rather than the tanks. There would have to be a suitable explanation - ~~no doubt~~ possibly linked with the recent Anglo-Iraqi Agreement.

D.R. Serpell
20th July, 1955

SIR ALEXANDER JOHNSTON

COPIES TO:- Mr. A.K. Potter ✓
Mr. Serpell

PALESTINE

C.P.(55)87

The Chancellor is aware of the plan for a settlement of the Palestine question which has been informally discussed between the Americans and ourselves. This plan contains three major features which have worried us:-

- (i) Contribution by the U.K. of up to £15 m. towards the compensation to be paid by Israel to the Arab refugees.
- (ii) The proposal to allow the sale of Israeli Bonds in the United Kingdom.
- (iii) The possibility that in the course of negotiations on the plan we may be forced into large financial commitments of one kind or another to the Arab countries.

2. At the Cabinet meeting on the 16th June (C.M.(55)15th Conclusions) the Chancellor reluctantly accepted the plan in principle, while saying that he would like to consider further whether the U.K. contribution for the purpose of compensation should not be smaller, and expressing the hope that we should take no initiative in offering the Israelis special facilities for raising money in the U.K.

3. We have been in correspondence with the Foreign Office on both these points. On the second, the Foreign Office have agreed that we should make no offer of facilities for the sale of Israeli bonds, although if the point is raised at any stage by the Israelis we should have to concede it. On the first we have as yet received no reply from the Foreign Office. I understand that they will shortly reply urging that we should agree to the figure of £15m. as a maximum, but pointing out that we are not yet committed to it with the Americans and promising in the course of negotiation to try for a lower figure.

4. It was previously intended that the first step in trying to put this plan into execution would be confidential soundings of the Israelis and the Arab countries concerned. Now, however, for reasons of internal politics Mr. Dulles is determined on making a public announcement stating the problem and the principles on which a settlement might be reached. The present paper explains the reasons for this and includes a draft at Annex 1 of Mr. Dulles' statement. This draft includes no reference to the attitude of H.M.G. It is now proposed that

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Immediately afterwards H.M.G. should issue a separate statement welcoming Mr. Dulles' proposals and promising a contribution to an international loan to assist Israel to pay compensation to Arab refugees.

5. We must I think accept this change in tactics. The proposed statement by H.M.G. (Annex 4) leaves the amount of the U.K. contribution entirely open to later negotiation. I don't think we can avoid a general promise that there will be some U.K. contribution since to keep out altogether would mean giving up our position in the Middle East. The way Mr. Dulles is to refer to the proposed international loan makes it clear I think that there would be no definite commitment without an assurance that the outstanding issues between Israel and the Arab countries would be settled. I have asked the Foreign Office how they would deal with the inevitable Supplementary question ^{from} in the Press as to how we such we should be prepared to contribute; they intend to say that we can give no idea at all at present and that it would be a matter for later negotiation, and would be ready to include some reference to the difficulties of our Balance of Payments situation. They are in fact prepared to leave it to the Treasury to draft the brief for their Information Officers on this point.

6. The main danger of the new approach to the plan is that it will encourage the Arab countries to get all they can out of us as the price of their agreement. The Foreign Office have at present no intention of giving way to such pressure, but the possibility remains that once the plan is launched, it will be irresistible. It would however be wrong to regard the recent proposal, referred to in the paper, for giving Centurion tanks to Iraq as an example of this pressure. The main objective in that offer is to secure a large order for Centurion tanks to be paid for with American dollars ^{by} ~~for~~ Off-Shore Purchase; it has been linked with the Palestine Settlement plan for purposes of presentation to the Americans in order to secure Mr. Dulles' support for the Off-Shore Purchase ~~order.~~ ^{offer.}

7. It is recommended that the Chancellor should agree to the proposals in the paper, while reiterating his previous points -

- (a) that there must be no definite offer of assistance to Israel until a settlement of the issues involved is assured, and
- (b) that we should aim at a contribution to the international ^{al} loan of less than £15 million.

It is also suggested that he should record his fears about the possibility of pressure from Arab countries for additional concessions as the price of their agreement.

25th July, 1955.

A E DRAKE

Chancellor of the Exchequer

cc. Sir Edward Bridges
Sir Bernard Gilbert
Sir Alexander Johnston
Mr. Serpell

PALESTINE - CP(55)87

Whatever decisions the Cabinet may have taken in the past about U.K. assistance to Israel, these should surely now be considered in the light of the developments in the economic situation. We have had to take additional internal measures, and the reserves are likely to go down by no less than \$130m this month. If our newly announced measures are not a success, then we shall be faced with a much more serious situation than this Government has faced apart from that it inherited. I understand that the urgency of this matter arises for reasons of internal American politics. Our need to defer it arises from the much more important factor of maintaining the international position of sterling. Ministers should not be in any doubt at all that an early announcement involving a claim on our resources of from £15m to £30m will be at entire variance with the policies we are now seeking to pursue. I hope very much therefore that either Mr. Dulles can be persuaded by an approach at the highest level to defer his statement, or, alternatively, that it is made clear that we shall not be able to back it up until we have seen our way out of our present position.

T.L.R.

25th July, 1955

E.R.

~~Mr Potter~~ Mary Thakur

43

TOP SECRET

Ch 26/7

MR. ARMSTRONG

✓

Plan for Arab/Israel Settlement

I briefly explained to you just now the developments since you last saw this case (your minute dated 6th July).

'A' OF 83/154/01A

You will like to see -

'B' OF 83/154/01B

(i) C.P. (55) 75 dated 13th July;

'C' ibid.

(ii) Minutes by Sir Alexander Johnston, Sir Herbert Brittain and myself dated 13th July;

'D' ibid.

(iii) C.M. (55) 23rd Conclusions dated 14th July;

'E' ibid.

(iv) C. P. (55) 87 dated 22nd July;

'F' ibid.

(v) Mr. Drake's minute dated 25th July;

'G' ibid.

(vi) Sir Leslie Rowan's minute dated 25th July.

With reference to paragraph 6 of Mr. Drake's minute, you may like to glance at the D.M. papers.

'H' below.

(A.K. POTTER)

26th July 1955

Mr. Shillings - 20.8.27/7
Mr. [unclear] 20/8/55

Mr. Langford - pl. return to Private Office.
Circular No 110 of 25th July

Done
2/8

CP (55) 75

CP (55) 87

and string of papers to [unclear]

8/16 f.

TOP SECRETMR. LAMBERTMR. WASSAlpha

The series of telegrams about the recent statements made by Mr. Dulles and the Foreign Secretary on the Palestine question was seen by Mr. Rickett and passed by him to me. I passed them to Mr. Drake/Colonel Russell Edmunds, and I understand they have fetched up with Miss Marsden. Now that he has returned from leave Mr. Armstrong may like to glance at these telegrams.

2. The only action which, I think, we should be taking on this case, relates to Mr. Milner's letter to Colonel Russell Edmunds dated 9th July. What has happened about the reference for /x in paragraph 7 of that letter? (Mr. Lambert's minute dated 19th July). Has the Foreign Office heard from Messrs. Murray, Sterndale Bennett and Crawford? (cf. paragraph 2 of Mr. Milner's letter).^{*} In paragraph 12 of his letter Mr. Milner suggested that when he arrived home on leave we might have a talk together. Perhaps this could be arranged for when I return from leave.^{**}

I have asked I.F. again, below.



(A. K. POTTER)

3rd September 1955

** Murray has not replied. Sterndale Bennett has replied (also on behalf of Crawford who was on leave) Arthur (S.O.) has promised us a copy but says it is very long & mainly political.*

*** Arthur says he would like to be present.*

~~TOP SECRET~~

COL. RUSSELL EDMUNDS

RE

Copy

Paragraph 7 (last sentence) of Milner's letter to you of 9th July refers to "M. Ingrand's Plan of 1953." We did not find anything about this in O.F. files, and have a note that I asked you if you knew anything about it. Can you say if anything was ever found?

non

~~Mr. D. H. ...~~
Lo. will send me a copy. They think they have already sent one to O.F.

Shankay
3/10/55.

~~Hamilton~~
5/9

Mr. ... Mr. Byrd

At least I have got two copies from F.O.

Shankay
6/4/55.

48

E1825/61

SUGGESTIONS POUR
CONTRIBUER A UNE SOLUTION DU PROBLEME DES
REFUGIES ARABES DE PALESTINE

Ambassadeur H. INGRAND
Délégué à la Commission consultative de
l'UNRWA

Le présent rapport a pour objet de contribuer à une solution du problème des réfugiés palestiniens en présentant des suggestions concrètes en ce sens.

Sans doute cette question des réfugiés est-elle au point d'affleurement et de rencontre de tous les problèmes majeurs que soulèvent les rapports du Proche Orient avec les Nations Unies en général et le monde occidental en particulier ; et l'impasse où on se trouve à cet égard tient au même état de choses qui paralyse tous les efforts entrepris sur d'autres plans.

Mais il s'agit de savoir si cette interdépendance de tous les problèmes rend nécessairement impossible la solution d'aucun d'entre eux ; ou si, au contraire, en appliquant un effort approprié à un problème déterminé dans un moment opportun, on peut permettre un progrès partiel de nature à faciliter, de proche en proche, le règlement des autres questions en suspens. Il est inutile d'insister sur l'importance de l'enjeu pour le monde libre, puisqu'il s'agit de combler une lacune énorme dans son dispositif de défense, de fermer à la pénétration communiste un champ d'exploitation proche et de plus en plus facile, et de s'assurer la disposition de ressources en pétrole décisives.

Si on rejette la position négative pour adopter une manière de voir positive, l'examen des faits tend à montrer que c'est précisément au point névralgique, c'est-à-dire sur la question des réfugiés palestiniens, qu'un effort nouveau est à la fois urgent et le plus opportun.

..//..

Il est urgent de l'envisager, parce que par sa nature même (indépendamment de son volume et de la qualité de sa mise en oeuvre) le programme actuel ne fait et ne peut faire qu'entretenir une source quotidienne et incontrôlable de difficultés et de conflits de toutes natures, et parce qu'il est en tout état de cause interprété par le monde arabe comme une preuve de mauvaise conscience d des puissances occidentales. L'immobilisme ne bénéficie qu'à ceux pour qui le temps travaille : ce n'est pas le cas pour les Nations Unies en la matière.

L'urgence est rendue plus grande encore par le fait que la prochaine assemblée générale des Nations Unies devra réaffirmer ses responsabilités à cet égard et que le contre-coup en portera inévitablement sur les Etats Unis d'Amérique, d'abord, sur l'Angleterre et la France ensuite.

Il est opportun de l'envisager, malgré une évolution politique en apparence peu favorable, parce que des signes sur lesquels on ne saurait se méprendre montrent que les principaux intéressés, y compris les Etats Arabes, ont le désir de sortir d'une situation qui présente des risques pour toutes les parties en cause.

Conditions générales d'une solution.-

Ce point de départ une fois admis, il est indispensable en déterminant les grandes lignes de l'effort à entreprendre, de ne pas perdre de vue certains facteurs d'ordre général, qui ont une incidence directe sur la question étudiée.

Les pays arabes sont pleinement engagés dans une évolution politique profonde. Les mouvements nationalistes qui y apparaissent doivent être considérés comme beaucoup plus que des remous passagers ; l'opinion publique y constitue dorénavant un élément avec lequel tous doivent compter, y compris leurs gouvernants qui l'utilisent mais en sont aussi les prisonniers. Cette évolution sera peut-être discontinuée, mais elle est réelle, et elle implique des modifications correspondantes de la politique des pays occidentaux.

Les Nations Unies, en assumant de lourdes responsabilités à l'égard des pays arabes et en permettant à leurs hommes politiques d'accéder à la tribune internationale, ont éveillé des espoirs et des ambitions qui ont été également déçus. La désaffection qui en est résultée, même si elle est plus apparente que réelle, n'en facilite pas moins le retour à une attitude traditionnelle de marchandage, appuyée sur la menace du neutralisme et du rapprochement avec l'URSS.

Dans leurs rapports directs avec les pays arabes, les puissances occidentales ont largement maintenu une politique de compétition en même temps qu'une attitude très éloignée de celle qu'adoptaient leurs représentants aux Nations Unies. Les pays arabes y ont trouvé motif à surenchère et à protestations tout à la fois.

Pour ces raisons, toute solution doit nécessairement être cherchée dans le cadre des Nations Unies. Elle doit en même temps faire appel à la participation arabe. Elle doit être assez vaste pour susciter l'intérêt non seulement des dirigeants mais de l'opinion, et permettre des réalisations substantielles assez rapides

pour que l'intérêt ne soit pas suivi de désillusion et d'une hostilité accrue.

Il est clair enfin qu'aucune solution ne saurait être efficace si le problème n'est abordé sous l'angle plus vaste de la mise en valeur économique des pays en cause (Annexe I). Jusqu'à présent, les efforts entrepris l'ont été en ordre dispersé : l'inefficacité qui en est la conséquence n'apparaît que trop évidemment dans la disproportion des résultats acquis avec les sommes déboursées.

Position des parties en cause

Les données générales du problème étant ainsi délimitées, d'autres données résultent de la position spécifique des parties en cause. Les deux points saillants des thèses en présence, s'agissant de la question des réfugiés, sont le rapatriement et la compensation.

Malgré les positions de principe maintes fois rappelées par les gouvernements arabes, on peut considérer que le rapatriement ne constitue plus de leur part une revendication absolue. Elle est maintenue officiellement surtout pour donner satisfaction aux réfugiés et à l'opinion.

La position des réfugiés, telle qu'elle est présentée par leurs meneurs, est en effet intransigeante. Mais elle tient à ce qu'en vérité peu de perspectives concrètes leur ont été ouvertes, et surtout au fait que leurs meneurs les entretiennent dans l'agitation politique. Or, ces meneurs, il faut bien le dire, sont surtout les possédants et même les plus gros possédants, qui y voient

un moyen de pression pour rentrer dans leurs avoirs.

L'opinion, dans les pays arabes, est plus intransigeante que ses gouvernants, mais pas au point de rejeter spontanément et a priori toutes suggestions, dès lors qu'elles seraient assez amples et constructives pour frapper l'imagination en flattant l'amour-propre.

Le principe de la compensation

L'essentiel de la position arabe demeure donc la compensation. Cette notion est acceptée par le gouvernement d'Israël (voir Annexe II) et doit donc constituer nécessairement la base du système. Il semble que dans les conditions actuelles, elle puisse être traitée séparément, sans qu'on aborde les autres points litigieux.

Mais l'affirmation de principe n'aura évidemment de valeur constructive que si elle est suivie d'un règlement massif et rapide. Les sommes en cause sont relativement considérables (voir Annexe II) et il est hors de doute que le gouvernement israélien ne saurait y faire face sous la forme de versements immédiats en numéraire.

Les gouvernements arabes des pays d'accueil, même si de tels versements étaient possibles, pourraient de leur côté craindre que les sommes qui seraient consacrées à l'investissement ne restent pas sur leur territoire, et que celles employées à la consommation ne contribuent au contraire à y provoquer une augmentation brutale du coût de la vie, accompagnée de risques d'inflation.

Enfin, il ne faut pas sous-estimer les difficultés et les lenteurs qu'entraînerait la fixation du montant individuel définitif de chaque dommage.

Le problème consiste donc à permettre un règlement immédiat et massif de la compensation sans faire peser sur Israël une charge insupportable, et à assurer l'utilisation du montant de la compensation pour le développement des pays arabes et par priorité celui des pays d'accueil.

Mécanisme de la solution envisagée

Il semble qu'une solution puisse être trouvée dans l'institution de "titres de dommages", liée à la création d'un "Organisme bancaire International (ayant) pour (tâche exclusive) le Développement Economique du Proche-Orient".

Cet organisme fonctionnerait soit sous l'autorité, soit avec la participation de la BIRD, la deuxième formule présentant sans doute des avantages de souplesse.

Parmi les divers aspects du système résumé dans la présente note, on retiendra pour les présenter sous forme de suggestions les données suivantes qui permettent d'en dégager les lignes générales.

Mesures provisoires

Pour assurer la rapidité de démarrage des opérations de compensation, on fixerait au préalable un montant provisoire global. On pourrait prendre comme base d'évaluation, par exemple le chiffre de 100 millions de livres sterling, soit environ 280 millions de dollars

retenu par les experts de la Commission de Conciliation (Annexe III). Cette fixation n'influerait pas sur la détermination définitive du montant global de la compensation, à laquelle pourrait procéder une Commission internationale d'experts ayant l'accord des parties en cause.

Les titres de dommage

Le montant de la compensation globale ainsi fixé provisoirement, chaque possédant qui en fera la demande et qui justifiera d'un titre de propriété de bien immobilier (1) recevra un "titre de dommage" individuel, conçu sous la forme d'un certificat provisoire correspondant à la valeur estimée du préjudice. Un recours éventuel pourra être intenté auprès d'une commission internationale ad hoc, dont les travaux, n'étant pas liés à l'ensemble de l'opération, n'en subiront pas les contrecoups et n'en entraveront pas le déroulement.

Les titres de dommage sont émis par l'organisme bancaire international de développement, évitant ainsi tout contact direct entre Israël et les Arabes.

Ils doivent porter intérêt, de préférence par échéances trimestrielles ; cet aspect a une importance primordiale ; c'est par là en effet que se trouvera consolidée la confiance des intéressés dans la valeur réelle du système.

(1) Une certaine somme pourrait, si cela paraissait utile être réservée au règlement des dommages mobiliers

Ils sont personnels et ne sont pas cessibles directement mais seulement par l'intermédiaire de l'organisme bancaire de développement, qui peut, dans certains cas limités (maladie, décès), les escompter ou les racheter avec de gros abattements pour les porteurs qui ne voudraient pas réinvestir.

Ils sont par contre remboursables immédiatement pour leur valeur nominale, dès lors qu'il s'agit d'achats ou d'investissements conformes aux programmes tracés par l'organisme bancaire, en accord avec les gouvernements arabes.

L'Organisme bancaire international
et le recasement des réfugiés

Au travers de ce mécanisme, l'organisme bancaire international serait en mesure d'assurer aux pays d'accueil le bénéfice des sommes résultant de la compensation, tout en orientant l'application de ces sommes dans le sens le plus productif et en l'harmonisant avec le plan de développement général.

Tout en respectant le principe de la liberté de choix, par les porteurs, du pays d'investissement, il lui serait également possible de veiller au maintien d'un équilibre entre l'importance des capitaux investis et le nombre des réfugiés, possédants ou non possédants, accueillis par chaque pays, et aussi avec les possibilités de recasement effectivement offertes aux non possédants.

De même, tout en procédant aux grands travaux, nécessaires sans doute mais de portée trop lointaine dans le temps pour avoir une incidence directe sur le recasement des réfugiés, l'organisme bancaire pourrait

accélérer l'intégration rationnelle des moyens et petits possédants dans la vie économique (artisanat, agriculture, commerce), et notamment celle des petits propriétaires fonciers (qui sont nombreux) en encourageant le développement de coopératives de production, de distribution et d'achats.

L'organisme bancaire et le développement des pays arabes

En même temps que l'organisme bancaire orienterait l'intégration des réfugiés, il assurerait la coordination de tous les moyens financiers disponibles pour le développement économique des pays arabes du Proche-Orient. Le problème des réfugiés en tant que tels se trouverait alors en quelque sorte dissous en un problème plus vaste, aux données constructives et non plus négatives.

L'organisme bancaire disposerait dans l'immédiat des ressources suivantes :

- le montant de la compensation, progressivement mis à disposition au travers de la garantie d'Israël, assortie éventuellement de celle des pays cotisants à l'UNRWA. On peut évaluer le montant correspondant à quelque 300 millions de dollars, dont Israël ne paierait au départ que les intérêts. Une date limite de remboursement pourrait être fixée, et des annuités périodiquement déterminées.
- les crédits non dépensés de grands travaux de l'UNRWA, soit un montant presque égal aux crédits ouverts pour le plan de trois ans, c'est-à-dire

environ 200 millions de dollars.

- Une participation de la BIRD, qui, contrairement à ce qui est le cas général dans les pays sous-développés, ne se trouverait pas au départ porter seule la responsabilité financière totale.

On pourrait aussi envisager un regroupement des divers crédits d'assistance technique, et une coopération avec les institutions spécialisées des Nations Unies susceptibles de faciliter la solution des problèmes de trésorerie.

Il est inutile d'insister sur l'accroissement d'efficacité qui résulterait de la coordination ainsi instituée entre des efforts appliqués jusqu'à présent en ordre dispersé.

En outre, l'organisme bancaire serait en mesure de mobiliser d'importantes ressources financières en puissance, les amenant ainsi à contribuer au développement des pays arabes. Il s'agit plus spécialement de fonds portés par des bénéficiaires directs de la mise en valeur des pays considérés : savoir les pays arabes et notamment les pays producteurs de pétrole (Koweït, Arabie, Irak). Les grandes compagnies pétrolières pourraient sans doute s'associer également à une entreprise instituée en faveur des pays dont elles tirent leur principal profit ; d'autres capitaux privés éventuellement aussi.

Les moyens d'action disponibles sur ces bases permettraient des réalisations dépassant de très loin tout ce qui a été entrepris ou envisagé dans ce domaine

jusqu'à présent.

L'organisme bancaire et
l'opinion arabe

Il est permis de penser que l'institution envisagée contribuerait par son fonctionnement à détendre l'atmosphère politique en général, et spécialement les rapports entre les Nations Unies et les pays occidentaux d'une part, les pays arabes de l'autre. (le règlement de la compensation s'effectuant sans aucun contact direct entre Israël et les pays arabes).

Une réalisation spécialement conçue pour le Proche-Orient et adaptée à ses besoins serait en effet de nature à satisfaire l'amour-propre national des pays bénéficiaires, dont les représentants seraient par ailleurs appelés à participer à l'activité de l'organisme bancaire et à partager ses responsabilités devant leur propre opinion publique.

Son caractère international éliminerait le grief d'impérialisme, ou l'atténuerait tout au moins ; la position des membres participants non arabes, et en particulier celle des USA, de l'Angleterre et de la France, se trouverait grandement renforcée du fait qu'elle apparaîtrait comme une position commune.

Quant à l'opinion publique arabe, il semble qu'elle serait influencée favorablement non seulement parce que le problème des réfugiés aurait perdu de son acuité en se fondant dans le problème du développement économique, mais aussi parce qu'elle aurait l'impression de voir des biens arabes (la compensation) retourner à la communauté arabe, et enfin parce que les moyens disponibles permettraient des réalisations plus vastes et d'un

intérêt plus tangible.

Mesures transitoires

Pendant toute la période au cours de laquelle l'intégration des réfugiés se ferait, il serait évidemment nécessaire de continuer à distribuer des secours d'un volume total décroissant avec la mise en oeuvre du programme. Mais la durée de cette période transitoire serait en tout état de cause inférieure à la durée nécessaire pour arriver à l'épuisement du problème par les méthodes actuelles.

Peut-être serait-il souhaitable, au moment où on déciderait des dispositions nouvelles, de proposer l'augmentation du montant individuel du secours. A condition évidemment que la mise en application du régime nouveau ne tarde pas, il y aurait en effet intérêt à réserver jusque là toute décision d'augmentation ; intervenant alors, elle aurait pour effet de créer un climat favorable dans les camps et chez les non possédants, et de faciliter l'indispensable prise en charge de la distribution des secours par les pays d'accueil.

L'UNRWA aurait donc à poursuivre sa tâche provisoirement. Mais des économies très substantielles seraient rapidement réalisées, car l'Office pourrait fonctionner avec un personnel restreint. Il échapperait ainsi à beaucoup des critiques qu'à tort ou à raison on lui adresse en ce moment et dont le poids retombe sur les Nations Unies et singulièrement sur les pays contributeurs.

Conclusion

Il est clair qu'une opération conçue dans l'esprit de celle qui vient d'être sommairement esquissée sera d'autant plus difficile et d'une portée d'autant plus limitée qu'on aura davantage tardé à l'entreprendre .

Si les pays contributeurs décidaient d'un commun accord de prendre une initiative en ce sens, la logique interne du plan suggéré rendrait souhaitable - sinon indispensable - que toutes les études et mesures préparatoires aient été menées à bien en temps utile pour que le projet puisse être présenté à la prochaine Assemblée générale des Nations Unies.

Il serait à craindre qu'un délai plus long ne rende inopérants tous les efforts qu'on pourrait tenter pour sortir de l'impasse actuelle, quelle que soit par ailleurs la forme qu'on envisage de leur donner.

Le 9 avril 1953

Annexe I

LE PROGRAMME DES REFUGIES DE PALESTINE
EXERCICE BUDGETAIRE 1953

EXTRAIT DE LA
DECLARATION FAITE PAR
M. ARTHUR Z. GARDINER

CONSEILLER ECONOMIQUE AUPRES DU
BUREAU DES AFFAIRES DU PROCHE ORIENT,
DE L'ASIE MERIDIONALE ET D'AFRIQUE,
DEPARTEMENT D'ETAT,

DEVANT LA COMMISSION DES RELATIONS EXTERIEURES
DU SENAT

AVRIL 1952

LA DEFENSE DES INTERETS DES ETATS-UNIS

.....
.....

Premièrement, le conflit anglo-égyptien pour la défense du Canal de Suez, la question du statut futur du Soudan, ainsi que les récentes émeutes du Caire, ont bouleversé la stabilité de tout le Proche-Orient à un moment crucial de nos efforts pour organiser la sécurité de cette région. Tout nouveau facteur d'instabilité dans cette région, et les réfugiés de Palestine en sont un, menace la paix du Monde libre.

Deuxièmement, il n'existera pas de sécurité réelle dans le Proche-Orient tant qu'une paix durable n'aura pas été établie entre les Juifs et les Arabes. Le problème des réfugiés constitue le principal obstacle au rétablissement de la paix.

Troisièmement, la propagande communiste continue à exploiter la misère des réfugiés.

Quatrièmement, la présence des réfugiés réveille constamment chez les Arabes le souvenir de ce qu'ils considèrent comme une intervention anti-arabe de l'Occident dans l'affaire de Palestine. Les réfugiés constituent par conséquent un symbole autour duquel se rallient tous les mécontents.

LES SECOURS

.....
.....

Les secours, qui coûtent actuellement moins de trois dollars par personne et par mois, sont, croyons-nous, rationnellement et économiquement administrés. Il est

impossible, cependant, d'envisager la prolongation indéfinie de ce programme. Des considérations humanitaires, aussi bien que notre intérêt national, nous commandent de rechercher, avec les autres membres des Nations Unies, une solution qui permettra aux Palestiniens de retrouver les moyens de subvenir à leurs besoins. Ils représentaient en effet autrefois la catégorie la plus évoluée et la plus progressiste du paysannat arabe.

LA SITUATION GENERALE

.....

Le problème de la réinstallation des réfugiés arabes ne pourra donc être résolu que dans le cadre d'un développement économique d'ensemble qui suppose l'installation de nouvelles exploitations agricoles, la mise en valeur de nouvelles terres, le développement des transports et la création de nouvelles industries.

LES PROBLEMES POLITIQUES

.....

Mais il faut ajouter, pour être sincère, que la plupart des habitants du Proche-Orient voient plutôt dans la situation des réfugiés un problème politique et une conséquence de la guerre de Palestine.....

.....
 Israël a déclaré publiquement qu'il était prêt à entrer en pourparlers sur le problème de la compensation pour les terres abandonnées par les Arabes ; mais, étant donné la situation économique désespérée de l'Etat israélien, celui-ci serait probablement dans l'impossibilité de verser cette compensation à temps pour qu'elle permette de financer promptement un programme d'aide aux réfugiés.

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Annexe II

EXTRAITS DU COMPTE RENDU ANALYTIQUE DE
LA 149ème REUNION DE LA COMMISSION
CONSULTATIVE ET DU DIRECTEUR DE L'UNRWA
TENUE LE 17 JUILLET 1952

Audition de M. BERNCastle, Expert des questions foncières
de l'Office des Réfugiés de la Commission de Conciliation
pour la Palestine.-

.....

3. L'Office des Réfugiés a fait une estimation globale des biens arabes en Israël, qui a été adoptée par la C.C.P. Lors de la conférence des états intéressés réunis à Paris en automne 1951, la C.C.P., dans ses recommandations aux parties, a estimé qu'Israël était débiteur d'une somme de £ 100.000.000. Cette conférence s'est soldée par un échec, mais Israël s'est montré disposé à verser une compensation et a proposé des pourparlers. La C.C.P. estime que cette proposition ne doit pas être négligée.

.....

EXTRAIT DES DECLARATIONS FAITES PAR
M. ARTHUR Z. GARDINER
Conseiller économique auprès du Bureau des Affaires du Proche-Orient, de l'Asie méridionale et d'Afrique, Département d'Etat, devant la Commission des relations extérieures du Sénat

.....

Israël a déclaré publiquement qu'il était prêt à entrer en pourparlers sur le problème de la compensation pour les terres abandonnées par les Arabes ; mais étant donnée la situation économique désespérée de l'Etat israélien, celui-ci serait probablement dans l'impossibilité de verser cette compensation à temps pour qu'elle permette de financer promptement un programme d'aide aux réfugiés.

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Annexe III

LETTRE DE M. J.M. BERNCastle, EXPERT DES
QUESTIONS FONCIERES DE L'OFFICE DES REFUGIES
DE LA COMMISSION DE CONCILIATION POUR LA
PALESTINE

A
M. James KEEN, DIRECTEUR ADJOINT DE L'UNRWA.

Le 3 juin 1952

Cher Monsieur,

J'ai été très heureux de pouvoir vous rencontrer à Jérusalem le 26 mai et je vous remercie d'avoir bien voulu m'accorder un peu de votre temps pour un bref entretien. J'espère me rendre à Beyrouth dès que mes discussions avec les Autorités israéliennes auront pris une tournure satisfaisante et pouvoir ainsi poursuivre cet entretien avec vous et avec la Commission consultative.

Vous m'avez demandé, en particulier, comment la somme globale de compensation pour les biens immeubles abandonnés par les Arabes en Israël pourrait être distribuée. Des renseignements que j'ai pu obtenir jusqu'à présent, il semble ressortir que, dans le cas des habitants des villes, les biens immobiliers étaient concentrés sur un petit nombre de têtes. Par exemple, sur 70.000 musulmans et chrétiens qui vivaient à Jérusalem en 1935, il y en avait 55.000 qui ne possédaient aucun bien immobilier. En prenant les 15.000 restants, et en supposant 5 personnes par famille, il apparaît que tous les biens arabes dans cette ville appartenaient à 3.000 chefs de famille. D'autre part, presque tous les habitants des campagnes possédaient quelques terres, mais les parcelles individuelles étaient généralement très petites. Je crois que la masse des réfugiés qui se trouvent sur les listes de l'UNRWA vient des campagnes et, par conséquent, la grande majorité d'entre eux pourra prétendre à la

.../...

compensation. Cependant, lorsque l'on exprimera la compensation à laquelle ils ont droit en termes d'argent, les sommes seront probablement trop faibles pour les induire à renoncer à leur droit de retour, quelles que soient d'ailleurs leurs illusions sur ce point.

Les personnes avec qui j'ai discuté cette question estiment que si le montant global de la compensation s'élevait à 100 millions de Livres sterling, 40 à 50 millions devraient être répartis entre 40.000 habitants des villes, soit 8.000 familles, et que le reste devrait être réparti parmi la population rurale. En supposant, dans le cas qui nous occupe, qu'il y ait 900.000 réfugiés en tout, soit 180.000 familles et que, sur ce total, 146.000 personnes ou 29.200 familles soient des citadins ne possédant aucun bien immobilier, il ressort qu'il reste 50 à 60 millions à distribuer entre 142.000 familles rurales. Ce qui donne une moyenne d'environ £ 385 par famille. Il est bien évident que les chiffres ci-dessus sont très approximatifs, mais les personnes qui m'ont donné ces renseignements étaient aussi bien informées qu'on peut l'être de ces problèmes.

Vous possédez probablement d'autres renseignements sur cette question et il serait intéressant de pouvoir comparer vos évaluations.

Veillez agréer,.....

(s) J.M. Berncastle

TOP SECRET

PERSONAL

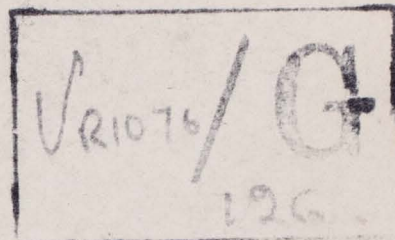
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BRITISH MIDDLE EAST OFFICE,

Nicosia.

July 4, 1955.



My dear Evelyn,

--- I enclose a memorandum of comments on the semi-official Treasury letter of June 8, of which you sent me a copy in your letter VR 1076/99/G of June 9, about the problem of eventual compensation for the Palestine refugees. I have only just returned from a visit to Beirut and Cairo, which gave me the opportunity of discussing the whole subject with Crawford, Falle and the United States representative on the Advisory Commission, Tomlinson, and again with Milner, with whom I had had a preliminary discussion in Nicosia soon after the receipt of your letter. The subject is a terribly complicated one and it is not possible to draw any hard and fast line between its political and its financial and economic aspects. But I have tried in the enclosed memorandum to keep as far as possible to the political side, leaving it to Milner (who will be writing separately to the Treasury, but who is in general agreement with the substance of the criticisms in my memorandum) to develop the financial and economic issues.

2. I gather that the American equivalent to Russell Edmunds' letter was somewhat long in arriving and Tomlinson was still cogitating over it when I left Beirut. But I shall be surprised if there is any material discrepancy between his views and mine.

3. I am sending copies of this letter and its enclosure to Milner in Cairo and Falle in Beirut.

Yours ever,

J.C. Sturges Bennett

C.A.E. Shuckburgh, Esq., C.B., C.M.G.,
Foreign Office,
S.W.1.

TOP SECRET



COMPENSATION TO ARAB REFUGEES

Comments on Treasury letter IF 592/238/01
of June 8, 1955 to Mr. Milner

My general comment on the ideas put forward in the above letter is that, while they would doubtless be appropriate to the settlement of a reparation and restitution problem between two "normal" Western nations which had been involved in war and were resolved on peace, they do not take account of the mentality of the Arabs and the Israelis, the peculiar features of the Arab-Israeli conflict, and the very special nature of the refugee problem. The letter represents in fact only a financial and economic approach to a problem which is essentially political and psychological. The task of finding and reaching agreement on a viable solution is indeed a formidable one to undertake. Any such solution is, I think, only conceivable as part of a general Arab-Israeli peace settlement; and any approach to it will have to take full account in the first place of the emotional character of the conflict, the hostility and suspicion with which each side regards the other, the sense of injustice which each feels, and the degree of responsibility which both attempt to place upon the major Western powers and the United Nations alike for the present situation and for its solution. A special peculiarity of the compensation problem, moreover, is that it is not merely one of bringing governments to a rational agreement. It affects a community of nearly one million individuals. Of these individuals, only those residing in Jordan have specific nationality. The rest are stateless. But all, whether Jordanian nationals or stateless, can point to United Nations' resolutions as investing them personally and individually with certain "rights". Finally, the question of compensation cannot be dealt with entirely independently of that of the resettlement, or re-absorption into normal civil life, of the bulk of the refugees.

2. Against this general background, I will try to deal in this memorandum, apart from one or two subsidiary questions, with the main issues raised by the Treasury letter, namely:-

- (a) the prospects of fixing the total Israeli liability for compensation at a figure representing the assessed value of the immovable property in Israel of the refugees;
- (b) the prospects of extinguishing refugee claims other than those for immovable property;
- (c) the distribution of the net sum payable by Israel, i.e. payment into a general development fund versus payment to individual claimants; and
- (d) the relation of compensation to resettlement, including the practicability of offsetting

individual/



individual compensation payments against the cost of individual resettlement.

3. The primary task of reaching agreement on a net sum payable by Israel for compensation is going to be no ordinary process of bargaining.

4. One of the difficulties from the Israeli side may be that the scheme suggested implies the acceptance by Israel of a reparation obligation of a type which the losing side in any war might be expected to have to shoulder. But Israel did not in fact lose. Whether, with this implication, she would be prepared to accept a liability of, say, £100 million I cannot judge. Perhaps she might think it worth while to do so for the sake of a peace settlement. But she might only take this course if:-

- (a) she were absolved from all further responsibility in relation to the refugees; and
- (b) she received some quid pro quo in the shape of a loan for her own development.

5. The basic United Nations' resolution relevant to this issue (No. 194 III of December 11, 1948) reads as follows:-

"The General Assembly

Resolves that the refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the Governments or authorities responsible".

Though this appears at first sight to limit compensation to compensation for property and for loss of, or damage to, property, it must be noted that this is based on the supposition that claimants will have chosen not to return to their homes. In most cases, however, it will not be a question of free choice. In the case of the bulk of the refugees, the argument is likely to be that it is force majeure which prevents them from returning. In addition to the types of claims listed in paragraph 1 of the Treasury letter, claims may be made not only for the very fact of not being repatriated (which is presumably what the Treasury mean by "repatriation rights") but for loss of rents, livelihood or expectations in the interval.

6. I think it is true to say (paragraph 2 of the Treasury letter) that it will prove almost impossible to evaluate the various claims and counter-claims. Nor, in my view, will a solution of the compensation issue make much contribution to settling the Arab-Israeli conflict if payments are spread over the long period contemplated in the Treasury letter. Either they must

be/



be assessed on some rough and ready system (at present difficult to conceive) and paid promptly (which, as will be shown below, would have disadvantages and create its own problems); or payment must in some way be linked with an effective scheme for refugee "reintegration", i.e. resettlement or absorption into normal civil life.

7. It is in my view over-optimistic, if not illusory, to suppose that the Arabs, at all events, will agree to ignore certain types of claim or to take action to estop the pursuit of such types of claim in their Law Courts; and it may be argued that certain types of claim cannot be scaled down, or written off, at the expense of the refugees. At all events, even if the Arabs and the Israelis were brought to agree to a "horse trade" for the purpose of a government-to-government agreement, designed to establish a residual net payment by Israel for compensation purposes, that would not necessarily extinguish the claims of individuals on both sides which had been ignored, offset or written down for the purpose of the inter-governmental agreement. The settlement of such claims would, I suppose, normally be a matter between the individuals concerned and their governments. But the complication here is the nationality difficulty referred to in paragraph 1 above, except in the case of Jordan, where any such liability, unless shared by other Arab states - perhaps an improbable contingency - would be only too likely to result in an additional financial burden for Her Majesty's Government in the United Kingdom.

8. The incidental question is raised in paragraph 4 of the Treasury letter of the possibility of part payment of the Israeli liability in kind instead of in foreign exchange. It is difficult to see how this could be arranged, except by direct Israeli exports to the Arab countries concerned, which would involve precisely the kind of Israeli economic penetration of the Arab world which is one of the main reasons why the Arabs are unwilling to proceed to a general settlement of their conflict with Israel. If it were possible to find a way of surmounting this major difficulty, there would have to be some agency for organising the marketing of the goods provided, so that the proceeds could be devoted to compensation. If this task were to be placed upon the agency chosen or set up to distribute compensation, it would very much affect the question of the organisation and staffing which any such agency would have to possess (see paragraph 19 below regarding the suitability of the United Nations Relief and Works Agency).

9. The Treasury are naturally much concerned with the question whether the distribution of the amount of compensation contemplated could be effected without disastrous inflation. But to say, as does paragraph 5 of the Treasury letter, that this is the "major" question is, I suggest with all respect, to get the problem out of focus. I understand Mr. Milner, as well as Mr. Crawford, to agree that the purely inflationary danger would not be a very serious one if payments were spread out as contemplated in the Treasury letter; the danger would only be a real one if large payments

were/



were made over a short period and, particularly, if they had no relation to "reintegration". The "major" question, in fact, is quite a different one, namely, to what extent would a compensation scheme help to solve the refugee question?

10. Assuming the initial hurdle of securing agreement on a net Israeli obligation to have been taken, it seems unlikely that the discharge of that obligation by payment into a development fund, with the object of facilitating refugee "reintegration", would correspond to the ideas of the refugees themselves regarding their right to individual compensation; and it is not easy to see what tangible benefit individual refugees would obtain from shares in such a fund which, presumably, could pay no dividends. Any such solution is therefore unlikely to be accepted by the Arab governments.

Mr. Crawford and Mr. Milner feel that compensation will have to take the form of payments to individual claimants. I agree, but feel that the question whether there is any way of utilising the Israeli pledge in a manner which would assist the financing of "reintegration", until such time as payment to individual claimants becomes practicable, ought to be further explored. We are all three agreed that any compensation scheme would fail as a contribution to a final settlement of the Arab-Israeli conflict unless it were paralleled by, and preferably closely geared to, an effective resettlement scheme holding out real prospect of reintegrating the refugees into civil life on a self-supporting basis. The ideal, of course, (though not necessarily the ideal to all the refugees) would be to space out compensation payments so as to coincide with the definite availability of opportunities for simultaneous resettlement.

11. The proposal for compensation to individual claimants on the basis, and in the categories, suggested in paragraph 6, 8 and 9 of the Treasury letter, while intrinsically reasonable in itself, would not, in itself, advance the reintegration of the refugees very far; and it is open to question whether the order in which it is suggested that payments should be made would be the most expedient.

12. Payment to persons in the first category (claimants to £100 or less) would have practically no impact on reintegration. In all probability, such payments would be squandered unless employment or resettlement were simultaneously available. The assumption that travel documents of the type referred to will be issued is a precarious one; and in any case these refugees are perhaps unlikely to agree to the utilisation of compensation payments to meet the expenses of moving. They would, more probably, regard such expenses as a charge inherent in reintegration which U.N.R.W.A. ought to meet.

13. In paragraph 6 of the Treasury letter, it is calculated that if the sum pledged by the Israelis was £100 million, half of it would go to the top category (claimants to over £2,000). These are people who are not for the most part in need of reintegration now. In favour of early payment to them it can be argued

that/



that, as a group, they have special political influence which might be helpful if their claims were satisfied; and that, given the lingering idea of a patriarchal society, some of them at least might employ refugees who had previously been dependent upon them. On the other hand, I think there is a distinct danger that the satisfaction of the claims of this group, without any simultaneous improvement in the lot of less fortunate refugees, might create a fresh political complication since it would give a handle to Communist propaganda. The idea is advanced in paragraph 9 of the Treasury letter that this group might establish a Development Bank with part of the proceeds and thus assist reintegration. This is a very interesting suggestion; but its fulfilment, if voluntary, would depend either on the altruistic and philanthropic leanings of the group of persons concerned, or on their own estimate of possible profit from it.

14. There remain the payments to the middle category (claims to between £100 and £2,000). The Treasury letter hazards a guess that about 96,000 families would be in this category. In theory, the payment of compensation to these claimants might provide the answer to the hitherto unresolved conundrum of how to reintegrate the moiety of the refugee population which would be left unsettled even if the Jordan Valley and Sinai schemes were successfully completed. But the span of payments is a fairly wide one and a good deal depends on the number of refugees who would qualify for payments sufficiently large to enable them to become self-supporting and therefore to disappear from the U.N.R.W.A. ration rolls. Of the 96,000 families, the Treasury estimate that some 82,000 will be in the lower grade of this category (claimants to between £100 and £1,000) and the same comment applies to them as to persons in category 1, namely, that such payments would in all probability be squandered unless employment or resettlement were simultaneously available. In any case, if we regard the payment of compensation to this block of 96,000 families as likely to be the most promising means of diminishing the resettlement problem, we must still face the fact that the rapid absorption into normal civil life of such a large number of refugees would in itself be a very considerable physical task. It would require either the simultaneous availability of land settlement schemes, or, alternatively, the help of U.N.R.W.A. and of the Arab governments to place refugees where work was available, or businesses could be set up, with a reasonable chance of success, and therefore with due regard both to economic needs and to the danger of creating a surfeit in any particular line of business or employment in any particular place.

15. In studying how to link up any compensation scheme with schemes of resettlement or development, there are evidently two types of time factor to keep in mind and to try to harmonise. The first is the time likely to be taken by the process of examination and adjudication of claims. The Treasury letter contemplates the lapse of three years before payments can be made even to the lowest category of claimants; from four to nine years in the case of category 2, and an even longer period before the full payment of category 3. The second time factor relates to the entry into operation, even under

the/



the most favourable circumstances, of large-scale resettlement schemes, e.g. the Jordan Valley and Sinai schemes and any new schemes in Syria, Iraq or elsewhere. Insofar as the reintegration of refugees not catered for by Jordan Valley and Sinai schemes has to take the form of settlement on the land, the areas for such settlement have still to be found and developed.

16. In calculating the various financial liabilities which the United States and United Kingdom might have to be prepared to undertake in the interests of a general solution of the Arab-Israeli conflict, the possibility must not be overlooked that Syria, at all events, and any other Arab country in which mass settlement might be physically feasible, would not consent to any considerable degree of refugee resettlement without an inducement, perhaps (with the possible exception of Iraq) in the shape of outside aid for general development purposes in the interests of the indigenous population.

17. With regard to paragraph 10 of the Treasury letter, removal from U.N.R.W.A. ration rolls is only possible if and when refugees become self-supporting. Thus the only relief to ration rolls likely to result from the compensation scheme as now suggested, is that which might come from compensation payments to the higher grade claimants in category 2.

18. The further question whether refugees resettled by U.N.R.W.A. could be required to hand over any compensation which they might have received to the Agency in part payment for their resettlement, is a most difficult one. In practice, it would almost certainly be unworkable, unless amounts adjudicated for compensation were held in reserve, i.e. not actually paid out, but eventually offset against the cost of individual resettlement. But the probably over-riding difficulty is that it has been stated specifically many times that U.N.R.W.A. resettlement schemes do not prejudice refugee rights to repatriation or compensation; and such resettlement and reintegration as has so far taken place with U.N.R.W.A. help has been, to the best of my belief, on that understanding. Any departure from this basic principle may be expected to meet with fierce opposition from the refugees and it seems highly improbable at present that the Arab governments would co-operate in any agreement or any resettlement scheme on such lines. Even less likely would they be to do so if the sums adjudicated for compensation were based on scaled-down claims or arrived at by ignoring certain types of claim. It could of course be argued that contributions to the U.N.R.W.A. rehabilitation fund were a form of contribution to compensation. But it will be a formidable task to get this doctrine accepted especially in view of the statements, already made, to which I have just referred.

19. On the purely subsidiary point as to whether, in the event of an agreement being reached on a total sum for compensation, U.N.R.W.A. would be a suitable agency for its distribution to individual claimants, I think, personally, that the answer is in the negative.

Some/



Some form of United Nations Agency would no doubt be appropriate. But U.N.R.W.A., as at present constituted, is designed and staffed for other purposes, namely the procurement and distribution of supplies, and the administration of camps and of various types of relief. It could no doubt act with its present type of personnel as the Agency for actually handing over payments to refugees in its care. But it would require an entirely different type of personnel if it had to undertake the complicated and specialised preliminary business of examining and adjudicating claims. It is true that a special department with the necessary legal and other technical qualifications might be added to U.N.R.W.A. for this purpose. I think, however, that it is undesirable in principle that U.N.R.W.A., which would, we hope, be simultaneously engaged in the work of resettlement and in that of relief, so far as the need for relief continued, should be hampered by the onus which would attach to it as a body engaged in the critical examination and scaling-down of the claims of the refugees. This is, to my mind, a decisive argument against associating U.N.R.W.A. in any way with the adjudication of claims. A subsidiary point is that its competence at present extends only to refugees who are, broadly speaking, destitute or in need of relief. A great many claimants, and practically all those with the biggest claims, are not in fact within its orbit.

20. I should naturally like to offset the various destructive criticisms in the present memorandum by some constructive proposal. What I would like to see, as indicated in paragraph 10 above, is some scheme whereby an Israeli pledge to pay a fixed global sum for compensation could be made to "work" in the interests of refugee resettlement until such time as individual compensation payments were practicable. All I can suggest at present, however, is that consideration be given to the merits and practicability of some variant of the scheme produced in April 1953 by Monsieur Ingrand, then French representative on the Advisory Commission to U.N.R.W.A. This plan received no official circulation but was communicated privately to the United Kingdom and United States representatives on the Advisory Commission, and by them to their governments. Although the Foreign Office considered the scheme impracticable, or, at all events, premature in parts, they did say in a communication to the State Department on May 26, 1953, that "the idea of paying compensation through some kind of banking organisation in the form of interest-bearing bonds, which could only be encashed for use in productive enterprises in the Middle East, is an attractive one and seems to merit further study".

21. One of the weaknesses of the Ingrand plan is that

(as /



(as I understand it) it is based on the guarantee by Israel of a provisional sum which would have no bearing on the final assessment of the global sum of compensation. It would, in my view, be an essential element of any workable solution that the amount fixed for payment by Israel should be a "once for all" payment, in full and final settlement of Israel's obligation. Provided that this conception were realised, then any such sum might be received, invested and administered by an international body of trustees, which would be eventually responsible for paying individual claimants or, alternatively, for issuing individual compensation bonds and perhaps paying interest on them until they were encashed. I have not the financial competence to judge whether the Israeli obligation could be utilised in any way to finance general development for general resettlement purposes, at least from the moment that the obligation became effective until the issue of individual bonds. But as regards the further idea of linking compensation payments with schemes for reintegration, I would tentatively suggest that expert consideration be given to the practicability of an arrangement under which refugees on U.N.R.W.A's ration rolls would normally have their bonds encashed when, and only when, they were removed from those ration rolls on resettlement or reintegration (this would presumably have to apply retroactively to refugees already resettled or reintegration); but that if they so requested, they should be able to encash their bonds at an earlier date for the purpose of investing their money either in land or in a business which, to the satisfaction of the trustees, after due examination of the scheme, was likely to make them self-supporting. As regards refugees not on the U.N.R.W.A. ration rolls, I realise that the only argument against encashing their bonds as soon as their claim has been fixed, is the political one - referred to in paragraph 13 above. Might it not be possible however to obviate this political difficulty by fixing a level above which payments would only be made if the trustees were satisfied that such payments would be invested in a scheme resulting in the employment of other refugees, and thus contributing to a solution of the general reintegration problem? I realise that these ideas may be criticised on the ground of impracticability or inconsistency. But I can think of no better and therefore put them forward for examination.

22. The only other constructive suggestion which I can offer is that means should be found to expedite appreciably the identification and valuation of refugee property now being conducted by the Palestine Conciliation Commission. This would require, in the first place, consultation with that Commission to ascertain:-

- (a) whether the type of work now being undertaken is sufficiently wide in scope (i.e. what kinds of property does it cover?); and
- (b) the help required to undertake any necessary expansions and to accelerate completion.

Any



Any approach to the Palestine Conciliation Commission and any increase in its staff would probably have to be unobtrusive at present if it were not to raise exaggerated hopes, or, alternatively, provoke protests from the Arab governments against concentration on the problem of compensation as opposed to repatriation, which they profess to regard as the real answer to the refugee problem.

S. C. Windale Bennett

July 4, 1955.

14/9

Mr Wass.Alpha.

Points outstanding on this topic appear to be as follows:-

Pouch
Flag A
Flag B

(a) Mr Armstrong to see the series of telegrams about the recent statements made by Mr Dulles and the Foreign Secretary. These are in the attached pouch and of them No 537 (Foreign Office to Amman) gives the text of the U.K. statement and No 1341 (Foreign Office to B.M.E.O.(Nicosia) gives the text of the main part of Mr Dulles' statement. Col. Russell Edmunds would like the telegrams back eventually.

OF 83/
154/01

(b) Mr Potter will wish to discuss with Mr Milner (Mr Arthur, Foreign Office would also like to be in on the discussion) the following replies to Col. Russell-Edmunds' letter of 8th June, 1955 which went out on IF 592/238/01 (the file is in action with Col. Russell-Edmunds):-

Doc 23-29
Flag C

(i) Mr Milner's letter of 9th July, 1955.

Flag D

(ii) Mr Sterndale Bennett's letter of 4th July, 1955, of which a copy has just reached us from the Foreign Office.

Flag C

According to paragraph 2 of Mr Milner's letter of 9th July, 1955, Messrs Sterndale Bennett, Murray and Crawford were in broad agreement ^{with him} and they were left to write in if they differed violently from Mr Milner's letter. Mr Sterndale Bennett has

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Flag D written but nothing has been forthcoming
from Messrs. Crawford and Murray. Mr
Flag E Lambert's note beneath Mr Potter's minute of
3rd September suggests that Mr Sterndale
Bennett's letter was intended to cover the
views of Mr Crawford also.

(iii) The remaining point is to get our
hands on a copy of the 'Ingrand Plan of 1953'.
Nothing has been forthcoming from OF files and
I spoke to Mr Mackay this afternoon and he
said that they have been unable to trace
anything on the IF side. I therefore had a
word with the Foreign Office who said that
that the report was a very large document
written in French and so far as they knew
there was no ~~convenient~~ document available
in English. They cannot send us a copy of
their document since it is too long to get
copied. I have however elucidated that a
copy of the Plan was sent to Mr Oates,
Treasury on 27th June, 1953, under Foreign
Office reference EE 1825/61. OFCS are
working on this lead.

Weyburn.

14th September, 1955.

P.S. I also attach our file on "Possible
Application of Economic Sanctions against Israel"
which you may care to glance at.

* The 'Ingrand Plan' was first mentioned in
Mr Milner's letter of the 9th July, 1955,
(Paragraph 7).

Doc 26
Flag F

Mr. Bristow

1. I have sent the Alpha telegram to Mr. Amman, but a key one, No 522 to Amman is missing. Would you please obtain a copy and send it to Mr. Amman.

2. Please show Mr. Pottin the BMOO despatch of 4 July, which, alas in the rush of the past few days I have not had time to read.

3. Please also keep eyes on the search for the Ingrand Plan.

J. W. S.

17/9

Alpha
Telegrams
returned
to Mr
Manning (LF)
copy found in
19/6

Top secret

Alpha.

We had a general discussion of this subject with Mr. Kilmer this morning - not being present: Patten, Britton and Clark + Col. Russell-Edmonds.

No action seems called for at present.

P.A.

July 13/55

Mr. Britton.

EFCS
.....

*Excerpt from
World Broadcasts
30/12/55*

SSA

ISRAEL'S PEACE PROPOSALS

83/154/01

for Alpha file

Period: 20th - 26th December 1955

Quoting a Reuter dispatch from Washington, a "Voice of Zion" broadcast in English on 20th December said that in a recent communication to the US State Department Israel had summarised her proposals for a peace settlement with the Arabs as follows:

Direct talks between Israel and representatives of the Arab States, especially Egypt; adjustment of frontier lines, but no unilateral cession of territory by Israel; the restoration of Israel to its natural position as a centre of communications in the Middle East; Israel for her part would be willing to permit the Arabs to establish land and air communications between Egypt and the Lebanon, and Egypt and Jordan; in return Israel would expect similar land and air communication facilities in Arab territories; free port facilities would be given to Jordan at Haifa; Israel would compensate the Arab refugees; the return of the refugees to their former homes is ruled out, but the Israeli Government would be prepared to accept the US offer of a loan to provide compensation; the maintenance of the present status of Jerusalem and co-operation with the Arabs in sharing the waters of the Jordan and Yarmuk rivers.

"Israeli Foreign Ministry sources in Jerusalem", the broadcast concluded, "while pointing out that these suggestions contain nothing new but merely bring together previous proposals, refuse to confirm or deny the report that they had been submitted to the State Department as a concrete plan."

The following press comment (here abridged) on Israel's peace proposals was reported in Israeli broadcasts on 21st and 22nd December.

'Davar': It is not a question of new proposals but of proposals which have been raised on various occasions in the past with regard to Israel's sincere wish for a stable peace. Unlike proposals which endanger Israel's security, entity or integrity, those which have been disclosed contain all that Israel can offer to the Arab countries without endangering these basic considerations. There are widespread tendencies in the West to appease the Arabs not only at Israel's expense but also at the expense of peace. The Arab claims are purely strategic, which refutes the allegation that they have changed their approach to the question of peace itself. On the other hand, Israel's attitude clarifies her genuine desire for peace. It is possible to achieve this end through direct negotiations. (21.12.55)

'Lamerhav': Any plan for real peace is valid at all times. Israel should have submitted such a plan to the Security Council. The items in the proposals carried by the news agencies are deficient in as much as no mention has been made of the question of war reparations which the Arab countries owe Israel. (21.12.55)

'Al Hamishmar': Such peace proposals are a demonstration of Israel's good will for the prevention of war and the settlement of the conflict with the Arabs by peaceful means. Nevertheless, the Government should hold a representative and comprehensive discussion on an Israeli peace plan and pursue a foreign policy not based on an approach to the West alone. Peace proposals should be submitted to the UN as a whole. (21.12.55)

'Herut': There is defeatism in the proposals which, according to the news agencies, Israel has submitted to the US Government. (21.12.55)

'Omer': Contrasted with Israel's real desire for peace, there is no foundation for premeditated rumours alleging a fundamental change in the attitude of the Arabs. Israel could offer the Arab countries all that could be given them

without prejudicing her entity, integrity or security. The door is open for direct talks with the Arab countries, separately or collectively. If the Arabs entertain genuine peaceful intentions they can prove it by accepting Israel's proposals as a basis for negotiations. (21.12.55)

'Shearim': The overwhelming majority of people living in Zion wholeheartedly desire a just and honourable peace. (21.12.55)

'Jerusalem Post': It was scarcely to be expected that in present circumstances Israel's attitude would be accepted with enthusiasm in Cairo or Washington. The documents captured in the Lake Tiberias raid prove how senseless such plans as Eden's are - plans which require Israel to make concessions to Arab demands. What sense would it make to try and bribe the Arabs, who shamelessly carry out unilateral decisions to alter frontiers and mutual agreements? Britain should remember that her policy of appeasement has not benefited British interests at home or in Jordan. It is difficult to conceive Israel's now attempting this method with which the British have not been successful. (22.12.55)

'Eatsofeh': The publication of Israel's willingness to take active steps for the sake of peace is to be welcomed. This dispels the impression that it is Israel who stubbornly refuses to make any concessions. (22.12.55)

Israel radio said on 26th December that the Knesset had that evening rejected proposals by Herut and the Communist Party of Israel that the House should immediately hold a debate on press reports regarding the Israeli Government's peace proposals. The Foreign Minister had announced that the Government's statement on foreign affairs and defence would be made in the Knesset "next week" and that a full debate would be held afterwards. Dr. Altman, who had moved the demand on behalf of Herut, had said that as a matter of principle his party opposed any proposal that involved concessions on Israel's part. Vilner, for the Communist Party, had declared that the proposals which had been published did not serve Israel's interests but those of the USA.

MR. PETCH

off
c.c. Mr. Armstrong
Mr. Rickett

TOP SECRET

56

Colonel *Russell*
Edmunds

M. Ricks

PALESTINE

I understand you would like a note on our commitments towards the cost of a Palestine settlement.

On present plans, the total cost of compensation to ^{be paid by} Israel will be £100 million. Of this, the then Foreign Secretary suggested in C.P.(55)35 that we should contribute £15 million as a loan and allow the Israelis to raise another £15 million by selling Israeli bonds in the United Kingdom.

When the Cabinet considered these proposals (C.M.(55)15th Conc.) they invited the Chancellor to discuss further with the Foreign Secretary the form and scale of our help to Israel.

No final decision has been reached on this as the Foreign Office maintain that we ought to ^{lend} pay up to £15 million and the Treasury that £10 million would suffice. We are, however, prepared to allow the Israelis, if they ask us, to raise up to £15 million by the sale of their bonds.

If compensation is to be combined with resettlement, which seems the only way of disposing of the refugee problem and thus of assuring a lasting settlement, we should undoubtedly be asked to provide more money by way of contributions to UNWRA. Up till now there has been no examination of what such an amount might be.

(M.E. Johnston)
10.1.56

MR. ARMSTRONG
~~Mr. Armstrong~~

cc. Mr. Rickett, Mr. Armstrong, Mr. Peck.

ALPHA

10/1/56

U.K. Financial Commitments

It has always been recognised that a settlement of the Palestine affair must provide for payment of compensation from Israel to the Arab refugees of whom there are about 900,000.

2. The claims of these refugees are currently being examined by the Palestine Conciliation Commission which in 1951 estimated that £100 million would be fair in respect of immovable property. It has, therefore, been decided by the Americans and ourselves to take this £100 million as the maximum that Israel could in any event be expected to pay. This means that other claims and counter-claims on either side, e.g. Israel claims for war damage or sequestered Jewish property in the Arab states and Arab claims for movable property, tenants' rights, or governmental and municipal claims, would be mutually cancelled.

3. It is assumed that this £100 million would be disbursed over ten years, though we still have no very clear idea how it will be disbursed or related to the allied problem of resettlement. As £100 million is much more than Israel can meet from her own resources, she will require external help.] The latest suggestion (made by the Foreign Secretary in CP(55)35 attached) was that H.M.G. should offer to make Israel a 10-year loan of £15 m. and that she should be allowed to raise about £15 million by the sale of bonds in the U.K. [The balance would [be found by gifts or loans of £50 million from the U.S. and of £5 million from the French or other Governments, leaving £15 million to be found by Israel from her own resources or from Jews outside the Commonwealth.]

4. The Cabinet considered these proposals, together with a memorandum by the late Chancellor (C.P.(55)36 attached) on 16th June, 1955 (C.M.(55)15th Conclusion - flag B on OF.83/154/01A) and approved in principle the plan for promoting a settlement but "invited the Chancellor of the Exchequer to discuss further with the Foreign Secretary the form and scale of the financial assistance which the U.K. Government should accord to the Israel Government under the plan".

E.R.

Subsequently, Mr. Drake wrote to Mr. Rose suggesting that, as £15 million from us was a much bigger percentage of the total external contribution than the percentage of our contribution to UNWRA, we might scale it down to £10 million and you wrote to Mr. Shuckburgh on 1st July, 1955 (flag H on OF.83/154/01B) saying that the Chancellor "expressed a wish to consider further whether the loan should not be for a smaller amount than the £15 million proposed." You also suggested that we should take no initiative in offering facilities to the Israelis but that ["we should be prepared to accede to a request, if made by the Israelis, that they should be allowed to raise through the sale of bonds in the U.K. over 10 years, up to £15 million of the £30 million they are to provide from their own resources and the contributions of the international Jewish community."]

5. I cannot trace any reply to your letter of 1st July but Mr. Rose replied to Mr. Drake on 3rd August 1955 (flag C on IF.592/238/01^B) saying that the Americans had not been told about our £15 million, and explaining why the Foreign Office suggested this figure, viz:-

- (a) on their calculations, it seemed in scale with the proportions in which U.K./U.S. contributions to UNWRA were shared;
- (b) it squared with an earlier American suggestion that, if they provided half the £100 million, we should provide a third of the remaining half, i.e. £16.2/3 million.
- (c) that assuming £50 million from the U.S., £15 million was needed from us to bring the total external aid to £70 million after allowing for £5 million from the French or other Governments.

Mr. Rose suggested that, as there was no question of sharing the £100 million until it had been accepted as the basis for compensation, the matter might be left on the footing that the Treasury and the Foreign Office each reserved their position. I.F. have suggested that it would be better to have a firm figure and have proposed further talks with the Foreign Office which do not, however, seem to have taken place.

6. To sum up, the U.K. balance of payments stands to bear, over the first 10 years after a settlement has been reached, a total of £30 million. £10 - 15 million of this, being on loan from H.M.G., is firm. The balance depends on how much the Israelis can raise by selling bonds as to which the Bank of England thinks £15 million over-optimistic.

7.

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7. This, however, is far from being the end of our possible commitments on Palestine, even if the £100 million is accepted as the basis for compensation, a matter which will require very skilful negotiation, as the Israelis will want less and the Arabs more. The Arabs may also be reluctant to accept responsibility for the results to individuals of whatever system is decided upon for sharing out the £100 million. In addition:-

- (a) The Arab countries will not be slow to use U.S./U.K. anxiety to get a settlement as an excuse for extracting further help and you may remember that we have already had to give 2 Centurions to Iraq. We can also rely on the Russians doing all they can to raise the bidding.
- (b) UNWRA will have a big part to play both in maintaining the refugees until they can be resettled and in resettlement. I have seen no firm estimate of what it will cost us to contribute to these activities but at a very early stage of the Alpha affair (February 14th, 1955 - flag \bar{E} on IF.592/238/01⁴) the Foreign Office suggested the following, on the assumption that our contribution would be 20% and the U.S. contribution 70%:-
- (i) Resettlement in connection with the Sinai project. The Foreign Office claim that we are morally committed to contribute if the scheme is found practicable and Egypt accepts. The estimated cost is \$30 million, so our share would be about £2 million.
- (ii) Resettlement under the UNWRA/Syrian Agreement of 1952. The attitude of the Syrian Government makes it unlikely that this will ever be carried out except possibly after a general settlement. But, if Syria made the land available,, UNWRA would have to contribute \$30 million so our share would again be £2 million.
- (iii) Expanded vocational training by UNWRA. The Foreign Office claim we have often advocated this as a cheaper way of settling refugees than land settlement and that we could not therefore refuse to contribute. If so, our share might be about £1.5 million.

(iv) ...

(iv) Jordan Valley Development. This may come about as a result of Mr. Eric Johnston's efforts or of a general settlement. The State Department and Mr. Johnston estimate the total cost at \$200 million of which the Americans claim \$80 million would fall to UNWRA after the U.S. had met their share. On this assumption, our share would be about £5.7 million.

(v) Resettlement of Arab refugees in Israel
The Foreign Office regard this as a dubious item but one which might conceivably involve us in about £2 million.

In all these, the UNWRA expenditure involved in a settlement would come to as much as £13.2 million, on top of a contribution towards the day-to-day efforts of maintaining the refugees of which, in the years 1955-60 inclusive, the Foreign Office estimates our share at £8.5 million. There has been no discussion of these proposals but, if the financial consequences of a Palestine settlement are to be re-examined, I suggest they should be looked at.

8. In conclusion, an outside figure for the cost of a Palestine settlement to the balance of payments might be as much as £15 million (loan), plus £15 million (from the sale of Israeli bonds), plus £21.7 million for UNWRA, a total of £51.7 million to be spent over a period of say ten years. It is to be hoped, however, that the commitment would be much reduced:-

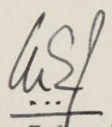
- (a) by reducing our loan from £15 million to £10 million;
- (b) by the failure of the Israeli Government to raise as much as £15 million;
- (c) by hard bargaining when the international contributions to UNWRA are worked out.

But there appears to be no chance of offsetting UNWRA's expenditure on resettlement by getting the refugees themselves to contribute to the cost out of their compensation payments (see para.8 of Mr. Milner's letter of 9th July, 1955, and para.18 of Sir J. Sterndale Bennett's memorandum of 4th July, 1955, flagged ^E and ^G on OF.83/154/01B), though there is some support for the idea that those due to get more than £2,000 in compensation (to whom about half the £100 m. would be due) should invest anything above £2,000 in a development bank or some ~~such~~ similar organisation.

9. There remain a number of subsidiary questions which will have to be examined, preferably before the £100 million offer is made, e.g. the timing of the payment of compensation, particularly as between rich and poor, so as to avoid it being squandered in an inflationary spree - especially in Jordan; which means phasing compensation payments in with resettlement programmes. On this, Western ideas may well clash with those of the refugees. At this very preliminary stage it is difficult to comment further. Upon these except to say that whatever solutions emerge will undoubtedly affect the timing of our contributions and thus the balance of payments.

10. To sum up:-

- (1) The Ministers have agreed in principle that we should contribute towards helping Israel meet the cost of £100 million worth of compensation ^{by making her a loan} but we have yet to decide whether the figure should be £15 million or £10 million;
- (2) Israel can sell bonds in the U.K. up to a total of £15 million;
- (3) If resettlement is linked with compensation, there will be a further claim on the U.K. for a contribution towards the cost of the former, but the amount is at this stage a matter for speculation. It could conceivably rise to £20m.


 (M.E. Johnston)
 10.1.56

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Mr: Peck.

Jordan Waters

This is the brief I mentioned to
you on the telephone. What I think
would be useful { way of supplement
would be :-

- a) An estimate of the total cost
of use & maintenance including the Jordan
Valley scheme;
- b) How much of this represents a firm
commitment on the member Govts.

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of UNWRA ;

c) How much of this falls on the UK.

US/

21/1

WITH THE COMPLIMENTS OF

MR. K-J-SIMPSON

LEVANT DEPARTMENT

FOREIGN OFFICE,

21-1, 1956.

61/54

CONFIDENTIAL

SS/II/b

BRIEF FOR WASHINGTON TALKS
JANUARY/FEBRUARY 1956.

JORDAN WATERS

(i) Summary.

The Secretary of State will receive a last minute brief from Mr. Shuckburgh who is discussing this subject in Washington; but he may also wish to read the attached provisional brief which Mr. Shuckburgh took with him.

2. The gist of it is that the Americans should be persuaded to make a special effort to achieve the co-ordinated exploitation of the Jordan Valley waters (i.e. acceptance of the Johnston Plan) during the spring, in order to:-

- (a) prevent war arising from Israel's proposed diversion of the River Jordan at Jisr Banat Yakub;
- (b) get some Palestine refugees resettled, and provide Jordan with the maximum economic benefits; and
- (c) supply a precedent for negotiating at least a limited issue between the Arabs and Israelis.

3. The difficult points for the Americans are to persuade Israel to postpone once more the diversion at Jisr Banat Yakub, and to provide a special financial incentive to Syria to waive her objections to the Johnston Plan.

/(ii) Background.

BRIEF FOR WASHINGTON TALKS

JANUARY/FEBRUARY 1956

JORDAN WATERS

Background

All four riparian States (Israel, Jordan, Syria and the Lebanon) already have some form of national plan for irrigation, using water from the River Jordan and its tributaries.

Israel National Plan.

Israel inherited from the Jewish Agency a plan to irrigate the Negev by Jordan water pumped over the watershed just North of Lake Tiberias. She estimates her annual requirement from this source at approximately 670 million cubic metres (m.c.m.). She had begun to divert the Jordan in the Israel-Syrian demilitarised zone at Jisr Banat Yakub, in 1953, but suspended work pending a decision by the Security Council, which has not yet been given. There is now some doubt whether the Israelis can use the depression West of the watershed which they originally planned as a reservoir; but it still appears that they regard the Jisr Banat Yakub diversion as an essential part of the national plan. Its initial purpose would be to create hydro-electric power at Capernaum. A considerable part of the canal between Jisr Banat Yakub and Capernaum has been dug and it is proposed to complete the diversion at Jisr Banat Yakub and the power station at Capernaum in the 1956 "work season", i.e. in the Spring.

Yarmuk Scheme (Kingdom of Jordan).

The Jordan Government have considered various plans for exploiting the River Yarmuk, the Jordan's largest tributary. In 1953 they reached provisional agreement with Syria to investigate a possible use of the whole flow of the Yarmuk for the benefit of these two countries: Jordan getting most of the water for irrigation, and Syria getting most of the electric power to be produced. This idea was side-tracked by UNRWA (which had undertaken to study the proposal) because it was clear that the rights of Israeli users of Yarmuk water would be involved. A 1953 report by the Tennessee Valley Authority to UNRWA argued that the Yarmuk Scheme, involving an excessively high dam on the river, was uneconomic.

"Little Yarmuk Scheme" (Jordan).

In the course of discussions between Arab experts and Mr. Eric Johnston, there has been agreement (in the context of the Johnston Plan : see below) that a medium sized dam on the Yarmuk would be justifiable. The Jordan Government have recently proposed, in vague terms, to the United States and United Kingdom Governments, that in the absence of an agreement on the Johnston Plan, it would be desirable to build this dam, and a diversion dam where the River Yarmuk enters the East Ghor of the Jordan Valley, and the irrigation canals from there southwards, thus creating what might be called a Little Yarmuk Scheme. It is alleged, without apparent justification, that this Scheme would provide Jordan with 72 per cent of the water available under the Johnston Plan and irrigate 70 per cent of the land classified for irrigation in that Plan. It is

/further claimed

further claimed that it could technically be integrated into a co-ordinated scheme, were the Johnston Plan eventually to be accepted; this is probably true but it takes no account of the political wreckage of the Johnston Plan which would result from the adoption of a Little Yarmuk Scheme.

Syria and the Lebanon.

Syria is exploiting the Upper Yarmuk, in her own territory; she possesses water rights on the left bank of the River Jordan between Jisr Banat Yakub and Lake Tiberias; but she has done little to exploit the head waters of the River Banyas which rises a few miles inside Syria. The Lebanon has considered, but not undertaken, the exploitation of the River Hasbani which flows for some distance through the Lebanon before falling into Israel and becoming the River Jordan.

Outside Proposals.

Disinterested parties have made it clear, at intervals, that the maximum use of the water available can only be obtained by a co-ordinated scheme agreed between the four States. In 1950 the British consulting engineers, MacDonald and Partners, recommended that Lake Tiberias should be used as a common reservoir by Israel and Jordan to accommodate the flood waters of the River Yarmuk which would otherwise be wasted. The T. V. A. report of 1953, compiled by the American consultants, Chas. T. Main, made a similar recommendation, on a purely technical basis, and suggested a tentative share-out of the Jordan Valley waters. Starting from this point, Mr. Eric Johnston, as personal Ambassador of President Eisenhower, has worked for the last two years to secure public acceptance of the principle of co-ordinated development (not necessarily involving the immediate use of Lake Tiberias as a reservoir) and of the principle that the sharing of the water, once provisionally agreed upon, should be supervised by an impartial authority.

The Johnston Plan.

Strictly speaking, Mr. Johnston's plan is a new strategy rather than a new engineering proposal. The results of his negotiations are, however, generally called the Johnston Plan, and they are at present briefly as follows:-

- (a) The Lebanon and Syria should draw as much water as they can reasonably use from the head waters of the Rivers Hasbani, rising in the Lebanon, and the Banyas and Yarmuk, rising in Syria;
- (b) Israel should draw the whole remaining flow of the River Jordan except for existing Syrian rights on the left bank and about 100 m.c.m. which she should divert to the Kingdom of Jordan because the latter's area of irrigable land within the watershed is greater;

/(c) Jordan should

6/1/68

- (c) Jordan should draw the whole remaining flow of the River Yarmuk except for some 25 m.c.m. required by Israelis living in the triangle between the two rivers and Lake Tiberias;
- (d) the concurrence of the four States need not involve agreements between the Arabs and Israel, but they should appoint, from a panel submitted possibly by the United Nations, a neutral Water Board to supervise the actual distribution of water;
- (e) after an experimental period, the parties would agree, if possible, to use Lake Tiberias as a common reservoir so as to make use of the flood waters of the River Yarmuk.

The water shares proposed under the Johnston Plan are approximately as follows. The State Department may, however, wish to correct them:-

<u>SYRIA</u>	<u>132 m.c.m.</u>
<u>LEBANON</u>	<u>35 m.c.m.</u>
<u>JORDAN</u>	445 m.c.m.
<u>plus</u> an increment from Israel amounting if necessary to	<u>75 m.c.m.</u>
<u>Total</u>	<u>520 m.c.m.</u>
<u>ISRAEL</u>	495 m.c.m.
<u>less</u> a possible increment to Jordan of	<u>75 m.c.m.</u>
<u>Net Total</u>	<u>418 m.c.m.</u>

E.I.

Mr. Armstrong . 23/1

Mr. Solomon . 65
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pa

Memorandum on
Roadway at U.S.'s

TOP SECRET

MR. BINNING

c.c. Mr. Rickett
Mr. Armstrong
Mr. Peck

TWR
21.1.58
ALPHA

It has always been recognised that a settlement of the Palestine affair must provide for payment of compensation from Israel to the Arab refugees of whom there are about 900,000.

2. The claims of these refugees are currently being examined by the Palestine Conciliation Commission which in 1951 estimated that £100 million would be fair ^{Compensation} in respect of immovable property. It has, therefore, been decided by the Americans and ourselves to take this £100 million as the maximum that Israel could in any event be expected to pay. This means that other claims and counter-claims on either side, e.g. Israel claims for war damage or sequestered Jewish property in the Arab states and Arab claims for movable property, tenants' rights, or governmental and municipal claims, would be mutually cancelled.

3. It is assumed that this £100 million would be disbursed over ten years, though we still have no very clear idea how it will be disbursed or related to the allied problem of resettlement. As £100 million is much more than Israel can meet from her own resources, she will require external help.

4. Ministers have therefore decided that the U.K. should, in principle, be prepared to help but it was left that the detailed proposals made by the F.O. for:-

- (a) A 10-year loan of £15 million;
- (b) Allowing Israel to raise £15 million by the sale of bonds in the U.K.

should be discussed further between the Chancellor and the Foreign Secretary. (It was suggested by the Americans that the balance of the £100 million; i.e. £70 million would be found by gifts or loans of £50 million from the U.S. and £5 million from the French or other Governments, leaving £15 million to be found by Israel from her own resources or from Jews outside the Commonwealth.)

5. Discussions at Ministerial level have not yet taken place. At the official level, we have told the Foreign Office:-

- (a) Of the late Chancellor's wish that our £15 million loan ~~might~~ ^{should} be scaled down to £10 million. The Foreign Office have not

accepted...

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accepted this reduction and maintain that the £15 million is justified in terms of the proportions between the U.S. and U.K. contributions to UNWRA, and of an earlier American suggestion that they could provide only £50 million. Thus, at the moment, the matter rests as I.F. have yet to hold further discussions.

- (b) that while we can take no initiation^{we} in offering facilities to the Israelis, we could accede to a request from them to be allowed to raise up to £15 million by the sale of bonds in the U.K. over ten years.

6. So far, however, no consideration has been given to the financing of resettlement which must be done simultaneously with the payment of compensation. Otherwise, the compensation will mostly disappear in an inflationary spending spree, and the refugee problem, and its attendant political consequences, will remain unaltered. UNWRA will have a big part to play in resettlement, as will Mr. Eric Johnston's proposals for the Jordan Valley. There seems to have been no serious discussion of what resettlement means for us financially. But such tentative estimate of the costs of existing schemes, including the Jordan Valley scheme, as exist, suggest that if the U.K. contributed towards them in the same proportion as we now contribute towards UNWRA, this might cost us £13 million over a five year period on top of our contributions towards the day-to-day support of the refugees which the Foreign Office estimate at £8.5 million for the period 1955-60. All this is obviously much more than we could afford.

Conclusion

7. The cost of bearing our share of compensation would throw a certain burden on the balance of payments of £10 - £15 million (the U.K. loan), plus a less certain one of £15 million for the purchase of Israeli bonds, a sum which the Bank of England think unlikely to be realised, all this over, say, a 10 year period. But on top of this is a large sum for resettlement, and for the day-to-day support of the refugees, the amount of which at this stage is purely a matter for speculation. But it might rise to another £20 million or so, depending on how successful we are at bargaining in the arguments at UNWRA. This suggests that we cannot make a realistic approach to the financial problems of Alpha until there has been a parallel exercise on the cost of resettlement and discussions with the Americans about how these should be shared.

(M.E. Johnston) 21/1/55

E.R.

TOP SECRET

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MR. BINNING

c.c. Mr. Rickett
Mr. Armstrong

ALPHA

As a supplement to my previous note of 21st January, I.F. tell me that we have an outstanding commitment to pay \$9.8 million (£4.5 million) towards the UNWRA Rehabilitation Fund. In addition, assuming that our contributions towards the cost of day-to-day relief continued at the present level, we shall have to find in each year approximately ^{another} \$4.5 million (£1.6 million).

If the various proposals made for rehabilitation, such as the Johnston Plan for the Jordan Waters, go through, I.F. estimate we may be let in for a total, inclusive of the \$9.8 million above, of \$25 million (~~9~~.5 million) for re-settlement.

M.E.J.
(M.E. Johnston)
23.1.56.

E.R.

TOP SECRET

Mr. A. D. Peck

Mr. M.E. Johnston

Alpha

1. As you asked, here are some notes (in rather condensed form) on the Alpha proposals for a Palestine settlement. The financial implications fall under three heads:-

- (i) The compensation payment.
- (ii) U.N.R.W.A..
- (iii) The imponderables.

2. Based on a compensation payment by Israel of £100 million, the Alpha proposals envisage a loan to Israel of £70 million, of which the Americans would find £50 million, H.M.G. £15 million, and others £5 million. The balance - £30 million - would be found by Israel, and to help her find this money, there is the proposal which Mr. M.E. Johnston has dealt with in his note that H.M.G. should be prepared to allow to raise funds by the sale of Israel Government Bonds to Jews in the U.K. and the Commonwealth up to a maximum of £15 million over ten years. The Chancellor, when Cabinet discussed the Alpha proposals, thought that H.M.G.'s contribution by way of loan should be at a lower order than £15 million. I.F. have had exchanges with the Foreign Office about a lower figure, and we started off with the idea of £10 million. We indicated readiness, however, to maintain the ratio of our U.N.R.W.A. contribution in the case of a loan contribution to Israel. On this basis, a figure of £13 million would be the order of our loan contribution. We, I.F., would wish to avoid a higher ratio than the U.N.R.W.A. ratio so that we set no precedent which could be used against us in the field of U.N.R.W.A. and possibly in others.

3. In December, 1949, the General Assembly of the United Nations established a United Nations Relief and Works Agency for Palestine refugees. H.M.G. had made contributions to the voluntary organisation which had been set up earlier of £1.1 million. U.N.R.W.A. was charged with the relief of these

refugees and their resettlement. In connection with their rehabilitation responsibility, U.N.R.W.A. obtained the General Assembly blessing to the setting up of \$200 million Rehabilitation Fund. This Fund was to be subscribed to by the contributing Governments as the need for funds arose. As resettlement has been so very slow, the life of this Fund has been extended to 1960. Assuming that the whole of this \$200 million Fund will be required in the years to 1960, then H.M.G.'s share, on present ratios, would be \$35 million. Towards this sum we have pledged ~~\$15~~^{19.4} million of which there is outstanding, i.e., not yet contributed, \$9.8 million. Thus, in terms of money to be found, H.M.G.'s potential liability is ~~\$26~~ million between now and 1960. The two main projects on which U.N.R.W.A. base their hopes for a substantial measure of resettlement are the Jordan Yarmuk Scheme, of which U.N.R.W.A.'s share is of the order of \$100 million on present estimates, and the Sinai project of which U.N.R.W.A.'s share is said to be of the likely order of \$70 million. Just when the Jordan Yarmuk Scheme is likely to come to fruition cannot be seen at this stage. This scheme turns on the acceptance of the Johnson^c plan for utilisation of the Jordan waters. In the case of the Sinai project, present indications are that Egypt will be unable to make available the quantity of Nile water required for many years to come. H.M.G.'s contribution to relief in the current year is \$4.5 million. This level of relief expenditure seems likely for the greater part of the period to 1960. As a shot, H.M.G.'s liability in respect of U.N.R.W.A. may be said to be of the order of ~~\$30~~²⁵ million for rehabilitation and (say) \$20 million for relief. Mr. Mackay's table attached gives the amount that we have contributed to U.N.R.W.A. up to the present.

4. The imponderables are:-

- (i) The price that may be exacted of H.M.G. over and above the contribution of £15 million - and the facilities for sale of Israel Bonds - under Alpha.
- (ii) Whether the Alpha compensation would make a contribution to U.N.R.W.A.'s problem of resettlement and thus reduce their financial requirements. ^{NP//} Israel and the Arab Governments may press for direct economic assistance as the price of their agreement to a settlement. There is also the fear that the \$100 million figure for compensation will be increased once a scheme along Alpha lines is put to interested Governments. But the Alpha proposals envisage the cancellation of a large number of claims of individual refugees; the idea being that the respective Governments would undertake to deal with claimants in their territories on the lines that such claims had been wiped out. This presents a particular problem for H.M.G. in that Jordan is the only country which has refugees in her territory as ^{her own.} ~~Jordan~~ nationals; in all other countries the Governments concerned do not accept them as their responsibility. We may, therefore, be under pressure from Jordan to assist her to placate refugees in her territory by some measure of monetary compensation.

On (ii), I find this very difficult to forecast. It is by no means clear that the \$200 million Rehabilitation Fund of U.N.R.W.A. is the full extent of their requirement. The one hope of the Palestine settlement in respect of refugees is that Governments, such as Iraq and Syria, might show a much more accommodating attitude to the resettlement of refugees in their territory. Iraq for example could take in quite a large number of refugees; and in so far as Alpha funds would provide the means of resettling refugees in Iraq and Syria, then U.N.R.W.A.'s task would be lessened and this should

reflect itself in the amount of money U.N.R.W.A. would require. The aim must be to get compensation under Alpha tied in the greatest measure possible to the resettlement of refugees. This may be difficult politically; but it is the only sensible way of preventing compensation moneys being frittered away still leaving the resettlement problem as large as ever.

W. Russell Edmunds

W. Russell Edmunds

23rd January, 1956

P.S. I think I have covered Mr. D.E. Tomlin's para (a), (b) etc of his letter of 21st January in para. 3. above. I may not, however, have given a direct answer to (c); Member Governments are only committed to the extent of the pledges they have made; they are not, at this stage, committed to the full \$200 million of the Rehabilitation Fund. I hope X/ Summary (SS/11/6) means the financial incentive to the Government by the Americans and not the other way round. This is the sort of thing which falls under my responsibilities (para 4).

W. Russell Edmunds
23. 1. 56.

United Kingdom Pledges and Contributions

to U.N.R.W.A.

Period	Pledges		Total Pledges	Contributions		Total Contributions
	Relief	Rehabilitation		Relief	Rehabilitation	
	\$	\$	\$	\$	\$	\$
1.5.50 to 31.12.50	6,200,000		6,200,000	6,200,000		6,200,000
1.1.51 to 30.6.52	4,000,000	8,400,001	12,400,001	4,000,000	4,000,000	8,000,001
1.7.52 to 30.6.53	4,000,000	11,000,160	15,000,160	4,000,000	5,600,000	9,600,000
1.7.53 to 30.6.54	5,000,000		5,000,000	5,000,000		5,000,000
1.7.54 to 30.6.55	4,500,000		4,500,000	4,500,000		4,500,000
			43,100,161			33,300,001
Subtract Contributions Outstanding			33,300,001			
			9,800,160			

The \$9,800,160 outstanding on 30.6.55 was in respect of rehabilitation: \$4,400,000 from the period 1.1.51 to 30.6.52 and \$5,400,160 from the period 1.7.52 to 30.6.53.

For U.N.R.W.A's financial year 1.7.55 to 30.6.56 we pledged only \$4.5m. for relief. \$2m. of this has already been paid and the balance of \$2.5m. will be paid in the next day or two.

The complete picture, therefore, is that from 1.5.50 we have

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pledged \$47,600,161 and paid \$37,800,001. The
outstanding \$9,800,161 is for rehabilitation.

Shackley

23/1/56.

Mr. Roberts 73A

ISRAEL and the ARAB STATES



by SYBIL EYRE CROW

TREASURY
15 JAN 1957

From the B.B.C. Broadcast of February 25, 1956

ISRAEL AND THE ARAB STATES

BY
SYBIL EYRE CROW

POLITICAL and military controversy over Israel and the Arab States has tended to distract attention from the social and economic problems raised by the outcome of the Palestinian War. It is all too easily assumed that if the political and military questions could be settled, all could be settled—quite soon and fairly easily. But this is, in fact, very far from being the case.

In the first place the war has resulted in the creation of two states—Israel and Jordan—which are quite unviable economically without—and even with—substantial financial assistance. The main reason for this is quite simple. There are just too many people in countries too poor to support them.

Let us take Israel first, which is by far the better off of the two. Not only does she possess 80 per cent. of the former mandated area of Palestine (8,000 out of 10,000 square miles); a proportion which is interesting to compare with the 55 per cent. allotted to her by the United Nations award of 1948; and the 6½ per cent. actually bought and cultivated by her nationals before 1948; she has also acquired all the richest agricultural land which Palestine contained, all the citrus groves, half of which were owned by Arabs before 1948, all the rich coastal plains, all modern Jerusalem, all the former water supply of Jerusalem, and—more important still for her development—a sufficient surplus of water supplies from all sources in the North to enable her to irrigate large parts of the arid Negev in the South. She has a Mediterranean as well as a Red Sea port and complete control of the Haifa railway. Two-thirds of her population are of European origin and therefore possess in large measure the skill and managing capacity necessary to a modern progressive state. She has a population of 1¾ million people. In 1947 the area now lying within her borders contained 1½ million people.

Already considered by experts to be over-populated then, it must certainly be over-populated now. But it is nothing like so over-populated as the kingdom of Jordan.

Israel has also received financial aid on a quite unprecedented scale in relation to the size of her population. The total amount of aid received by her since 1948 has been estimated at £700 million. Of this, about £200 million has come from World Jewry, mostly in the form of a gift; about £200 million from German reparations deliveries up to date, all in the form of a gift; and £105½ million from the United States Government—£65½ million in the form of a gift and £40 million in the form of loans.

With all these initial advantages and all this financial help, what is Israel's position today? Certainly, there has been much progress

since 1948. The amount of cultivated land has doubled and the irrigated area has trebled. Agricultural and industrial output have both increased enormously and so has overseas trade. 750,000 immigrants have been absorbed and there is very little unemployment.

This is the credit side of the picture. But the debit side is dark and quite overshadows it, for in spite of all this, Israel is still only able to pay for 30 per cent. of her imports. According to her own estimate, she will also need further financial assistance to the value of £570 million over the next five years, if she is to narrow the gap in her balance of payments to a proportion small enough to be covered by more or less permanent contributions from World Jewry. She counts on getting £140 million from the rest of the German reparations due to her; £62 million from the United States; and £76 million from private investment. For the rest—£291 million—she has only World Jewry to turn to.

Even if she receives these vast sums, there is in fact no guarantee that she will be able to pay her way by 1960, for by then her population by natural increase alone will have reached the 2 million mark and, if North African immigration continues at the present rate it will be about 2,200,000. So the financial prospect for Israel is not very bright—especially as only about a quarter of the aid received by her has gone into really productive enterprise; whilst about half has simply been consumed. Will these ratios necessarily change?

Her agricultural targets for 1960 envisage an increase of $\frac{1}{4}$ million acres in the irrigated area, with an accompanying increase in production big enough to make her self-sufficient in all foodstuffs except grains. But it is not quite clear where all this irrigated land is to come from. There is a plan for reclaiming 20,000 acres from the Huleh marshes; and for smaller irrigation projects in the Jerusalem corridor and the Galilean hills. But the greatest hopes are pinned on the Negev, where, it is said, 260,000 acres can be irrigated. But this will only be possible when two giant pipelines carrying water from the North have been constructed. One, the Yarkon-Negev pipeline, began to function partially last summer. The other, which is to bring water from the Jordan river, cannot even be constructed until a political agreement with Jordan and Syria has been reached.

At present plans seem to be limited to irrigating about 50,000 acres in the Negev. But even with these, great difficulties are being encountered. There are financial difficulties because most of the settlers are new immigrants from North Africa, and the cost of settling a new immigrant from a backward country upon the land, even at a standard well below a European one, is £400 a head. There are also social and economic difficulties because the new immigrants who are in any case not peasants but artisans or townfolk in origin, have primitive methods and habits, and cannot be taught to cultivate

well. Nor can they do what is expected of every rural settler in Israel—namely co-operate. At present 35 Moshavim or co-operative villages in the Negev contain these settlers, and their farming efforts are going so badly that a network of administrative farms has had to be created in each village to supervise them. Four villages have actually been handed over to companies who employ the settlers as hired labourers. Of course, this is a further expense. There are also 30 Kibbutzim, or collective farms. But they, too, are in grave economic difficulties, because not enough people can be found to settle in them.

In any case, self-sufficiency in foodstuffs could not solve Israel's problems. It is on the development of industry and industrial exports that her future must primarily depend. The increase in her industrial output and overseas trade since 1948 in fact means little, because there was very little industry then and practically no overseas trade. Not only does industry need large capital investment to get going at all; but continuing costs will be heavy because with few exceptions all Israel's industrial raw materials have to be imported. Her trading prospects are further handicapped by low productivity, and by high costs of production, due to the inflationary trends in her economy: these have been very much aggravated by her absorption of such large numbers of immigrants as well as by her insistence on the maintenance of a near-European standard of living for the bulk of her population.

If oil were found in large quantities, this might, of course, revolutionise the situation. But at the moment the amount of oil produced is trifling.

If this is the position of Israel, where it has been officially stated that "the purpose of the State cannot be considered to be fulfilled unless hundreds of thousands and even millions of Jews who wish or need to come to Israel have entered their homeland"; what is the position of Jordan, the new kingdom formed in 1948 out of a union of West Jordan, the 2,000 square miles of Palestinian territory remaining to the Arabs, and East Jordan, the former mandated territory of Transjordan?

Barring the desert, West Jordan was always considered to be the poorest part of Palestine, and was never agriculturally self-supporting. Before 1948 its pre-war population of 425,000 people lived largely by their connection with the richer parts of Palestine, working in the towns, on the railways, in the Mandate services and in the British army. To-day all these sources of employment have gone and the population has doubled in size. It includes 350,000 refugees, all of whom are fed, at bare subsistence level, but only a third of whom are housed by U.N.R.R.A. The greatly increased non-refugee population has to live as best it can, on greatly diminished resources. Many thousands do so at or near starvation level. Particularly catastrophic is the position of the 120,000 people in the frontier villages who have lost nearly all their richest lands in the

plains to Israel. As these people are not homeless, they are not officially classed as refugees, and receive no rations from U.N.R.R.A. Their plight is terrible. Many villages like El Burj and Beit Mirsim in the Hebron area see their water cisterns 10 or 30 yards across the frontier in Israel, and have to walk 20 miles to get any water at all. Others like the formerly prosperous villages of Qalqilia and Tulkarm have lost all their citrus plantations, others like Qataneh all their cereal lands to Israel. Others like Beit Awa have practically no cultivable land left. All, whatever their particular condition have daily to endure the ordeal, in their wretched half-starved state, of actually looking down on their former lands in the plains being cultivated by the Israelis.

East Jordan has no frontier problem. But it has many others. Its pre-war population of 300,000 people has more than doubled in size and includes 140,000 refugees. It was always a poor country barely able to support itself. Most of it is desert and outside the desert only a narrow strip of hilly land, about 1 million acres in extent, is cultivable at all. Even this has an uncertain rainfall. By 1948 the country was just reaching the stage when it could do without British subsidies. Now its standard of living has been dragged right down again in the struggle for work, homes and food of its own increased population as well as of the refugees.

So the kingdom of Jordan—taking the East and West parts together—has more than doubled its population since 1948. It contains a population of $1\frac{1}{2}$ million people— $\frac{1}{2}$ million of whom are refugees—and there are 160,000 unemployed. Since 1948 it has received financial assistance to the value of £114 million from all sources: £75 million from the British Government, most of which has gone in the form of direct subsidies to the Arab Legion, the rest being spent on development loans and ever growing contributions to the budget; about £35 million from U.N.R.R.A. for the support of the refugees who cost £10 a year a head: and £4 million in development assistance from the United States. In spite of this, rags, misery and hunger pervade the country, and it is only able to pay for 20 per cent. of its own imports.

The question that really arises is whether, given more financial assistance for development (she has so far received relatively small sums for this purpose) Jordan could really improve her economic position to any appreciable extent. Her only important raw materials are phosphates and Dead Sea salts. Both would probably repay investment, particularly her phosphates, if, as is hoped, the present mine worked on a small scale at Rusafa forms part of really large deposits. This would probably improve her balance of payments, if she could surmount the problem of having no Mediterranean port. But the phosphate industry cannot absorb a great amount of labour. The biggest agricultural project considered is the irrigation of 100,000 acres in the Jordan valley, so far held up because of the necessity of an agreement with Israel, who controls the head waters

of the Jordan. Some 10,000 acres round Maan might also be irrigated; there might be some more terracing of the rocky hillsides of West Jordan, with the help of British loans; and further conversion of cereal lands in East Jordan to more paying terraced cultivation. Light industry might absorb 20,000 people. But all this, the Jordan valley scheme included, would probably only provide work for about 300,000 more people in the next 10 years, when the present population will have increased by 500,000. It seems clear therefore that Jordan simply cannot support its population, and that something will in any case have to be done about the $\frac{1}{2}$ million refugees.

This raises the whole problem of the resettlement of the refugees—about 900,000 in all. Besides those in Jordan there are 215,000 in the tiny desert Gaza strip controlled by Egypt; 104,000 in the Lebanon, and 88,000 in Syria. Even supposing a political settlement was reached with Israel, and the refugees agreed in return for compensation to go elsewhere, the question is, where are they to go? It is all too commonly assumed that it would be quite easy for the Arab states to take them. But is this really so? Jordan cannot keep those she has. Nor can the Lebanon which is already over-populated. Egypt, which is even more over-populated herself, cannot take them though she has generously undertaken to reclaim part of the Sinai desert in order to put 60,000 of those from Gaza upon the land. Saudi Arabia is too poor in natural resources, even if rich in oil royalties, to be considered. There remain Syria and Irak.

Syria could probably settle those she has, given proper financial assistance. But it seems extremely doubtful whether administratively or economically she could take any more. The western part of Syria is over-populated and there needs to be a shift of population to the East. Land is available—on the Euphrates—possibly a million acres. But it needs to be irrigated and it needs to be surveyed because its exact extent is unknown. Because of this, and because of the expense involved, the present five-year plans of Syria envisage the irrigation of only 225,000 acres in the whole of the country by 1960. This land will be needed for Syria's own rapidly increasing population. The total estimated cost of these plans is £190 million, £100 million of which are earmarked for the increased costs of the larger and more efficient administration which will be needed to carry them out. They are too, only plans, because the money to finance them has not yet been found. From this it is clear that enormous sums of money, comparable to those that have been poured into Israel, would be needed if even such land as is available were to be irrigated; that the strain put on the administrative capacity of Syria would be too great to be borne; and that even if the land could be irrigated it is not at all certain that the Syrians do not need it themselves.

On the basis of the planning already in progress, the only Arab

country which will have succeeded—by 1975—in bringing more land under cultivation than is required to maintain its own population (including natural increase) is Irak. Irak has a generously expanding economy. Economically therefore, it could probably absorb quite a large number of refugees—in time—both on the land and in non-agricultural pursuits—but not administratively. Irak's administrative capacity is even smaller than that of Syria, and it is difficult to see how she could handle such an increase in population, even by 1975.

When one remembers the difficulties encountered by the Israelis in settling 300,000—400,000 backward Jews both on the land and elsewhere, in a country two thirds of whose population are rich in the technical skill and organising capacity of the West, then the problem of settling nearly a million Arab refugees can be seen in its real perspective.

There is also the question of expense. If each refugee were to cost as much to settle as a backward Jewish immigrant in Israel, the total cost of the operation for the 900,000 Arabs would be £360 million. In addition there would be the cost of creating the kind of administrative cadres which are in fact lacking in Arab countries. Who, one is left asking, is to supply the money, and who is to administer the schemes?

These are the questions, it seems to me, which we, and all other member states of the United Nations should seriously be asking ourselves, since the responsibility for the whole situation is ultimately ours.

73B

M. JOHNSTON

cc. on File No. OF 83/154/01.

The Sinai Project

You asked for a note on the Sinai project and its financing.

2. In your note of 10th January on O.F. 83/154/01 you discussed the part which U.N.W.R.A. would have to play in maintaining Arab refugees until they could be resettled and in resettlement, and the Foreign Office assumption that our contribution would be 20%. You also said that the Foreign Office claimed that we are more or less committed to the Sinai project, if the scheme was found practicable and Egypt accepts; and that the estimated cost was \$30 m., so that our share would be about £2 m.

3. The short point that emerges from the papers on the I.F. file attached is that \$30 m. was merely a figure that was agreed by U.N.W.R.A. with the Egyptian Government in June 1953 as a sum to be earmarked for the irrigation of a strip of North West Sinai adjoining the Suez Canal. U.N.W.R.A., Egyptian Government officials and Point 4 experts then did a survey of the feasibility and cost of settling 10,000 refugee families and 700 ancillary workers on an irrigated agricultural settlement of 50,000 fenns of land east of the Suez Canal. They found that it was feasible to do this, even though it would involve siphoning water from the Nile under the Suez Canal, having brought it along the Ismailia Canal and a new (Sahlia) canal, and distributing it from main and lateral channels by low lift pumps, for which the power would be generated near the siphon. They found that the cost would be:-

/Construction

75

Construction

£E 14,400,000

Establishment

Movement	200,000
Farm Equipment	700,000
Livestock	1,000,000
Grants to Non-Farmers	350,000
Administration	<u>150,000</u>

2,400,000

Public Service Costs

300,000

TOTAL capital cost

£E 17,100,000

Subsidies (up to Year 10): Total about

7,900,000

GRAND TOTAL

£E 25,000,000

4. We also have a report on the feasibility report from J. C. Eyre, the Agricultural Adviser at the British Consulate General in Jerusalem, whose comments are so lucid and clear that you may care to glance through them (flagged on I.F. 592/410/01).

Briefly, he thinks that the plan has been thoroughly worked out although the estimates of cost may be erring on the high side.

5. This shows that our potential commitment, if the scheme ever comes into effect, is likely to be a great deal more than £2 m; that would only be in the context, presumably, of an even more comprehensive problem of resettlement.

(R. B. MOBERLY)

26th March, 1956

E.R.

Mr Moberly

Mr M. Johnston to see

1/2: Moberly

SECRET

76

Staff. On Y. I certainly think that the paper is to be given to the Chief of the Ministry of Defence. I should get the papers and take them to Mr Phillips if they wish.

M.E.(O) (56) I7

From my side, there are the four points mentioned by Mr Bristow.

I have, however, the following general points, some of which are not really for me to make, but I put them down for what they are worth.

* spoke Mr Phillips (F.O.)

Assumption (2) in para 3. I can see that this might happen in the event of a "serious deterioration". But need we assume that it would happen? The Iraqis would have a very strong financial interest in keeping it open and allowing any breakages to be repaired as soon as possible. To some extent, this applies also to the pipeline countries. Surely oil revenues would be the sinews of any war with Israel? In a sense, it might be easier to envisage the canal closed (since Egypt gets little direct and immediate benefit from it) than the pipelines.

Strategic angle. I am not clear either whether this exercise has already been done in a defence context (presumably not in such detail) or whether there are relevant strategic assumptions and plans (presumably yes). Assumption (3) in para 3 rightly takes the worst possible case, of complete and continuous stoppage. Do we assume that, short of general war, we would acquiesce in this? We know that the Canal is singularly vulnerable to complete stoppage if a single ship is sunk. But the consequences of stoppage are clearly so serious, for the Americans no less than for ourselves, that I find it difficult to comment without knowing more of the strategic side. This induces me to mention that I wonder whether we ought to have a Defence member on the S.C.C. I know that the M. of Def. are thinking of employing a retired brigadier to become an expert on the Canal - which is a bit of pure duplication, since we, the F.O., and Sir Francis Wylie between us could probably do more for them.

X

Y

R. B. Moberly

(R. B. MOBERLY)

12th April 1956.

17

Mr Moberly.

Attached is ME(O) (56) 17 which I have borrowed from Mr Armstrong (he would like it back by 4:30 pm today).

My only comment, not strictly in the context of this particular paper, concerns the possible reduction of oil revenues for Middle East countries (in particular Iraq). This could lead to

- (a) A rundown in the M.E. oil countries' sterling balances.
- (b) A request for financial assistance from the UK, particular from Persia, (Baghdad Pact and all that!).
- (c) A reduction in the UK's exports to the Middle East. Also longer delivery dates through having to go round the Cape.
- (d) British exporters and contractors having to wait for payment of goods already supplied and services rendered.

Weyford

12/4/56.

What yardsticks of world power? Steel is one, and last year Germany produced over 21,000,000 tons, 1,000,000 more than Britain. If Germany were reunified in five years time, its total steel production should be around 35,000,000 tons—seventy-eight per cent. of present Russian production and double what Hitler needed to launch his war. Military force is still a yardstick. Today there are 130,000 men under arms in eastern Germany and the Federal Republic is to organise its twelve-division army by the end of 1959. After that date the Federal Republic will be producing 150,000 trained reservists a year. In five years time a reunified Germany should have twenty divisions available, along with several hundred thousand reservists. A third yardstick of power is economic stability. Reunification would bring a second 'economic miracle', this time to eastern Germany. In western Germany a phase of absorbing 10,000,000 refugees, repairing the ravages of war, and stabilising the D-mark is nearly over. Great industrial firms are beginning to invest heavily abroad and the era of real economic expansion is only beginning.

Nuclear power is the most important yardstick of all, and

here a united Germany will have unique advantages. The west German technical progress which is sure to take place will be supplemented by east German uranium. Nor can German technical brilliance and grinding energy be restricted to peaceful nuclear development. Once it was split, the atom could no longer be bound by artificial limitations.

A Germany of over 70,000,000 people, with the best army in Europe, mounting steel production, and control of its own nuclear resources—that is the picture which German reunification suggests. A Germany on this scale could afford to be independent and neutral between east and west. Even western Germany on her own is beginning to feel her strength. Her Finance Minister has just refused to pay towards the upkeep of allied armies on German soil, her Defence Minister has secured the use of nuclear weapons for the German army, a prominent member of Parliament has called for withdrawal from Nato. Finally, talks has begun about a 'new political wind blowing', about 'the end of the Adenauer era', and that dangerous word 'Realpolitik' has crept back into German political thought.—From a talk in the *Third Programme*.

Israel and the Arab States

By Sibyl Eyre Crowe

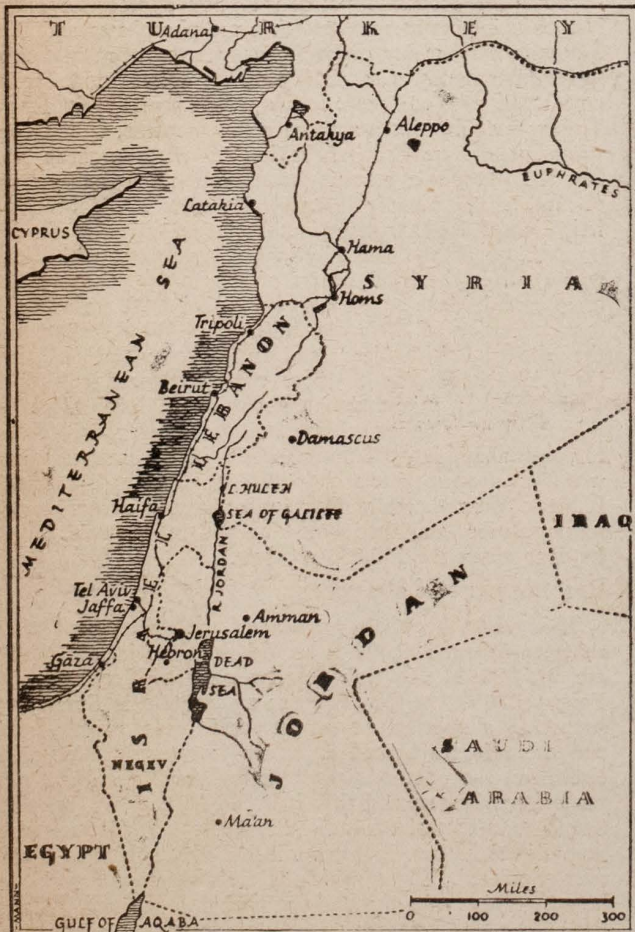
POLITICAL and military controversy over Israel and the Arab States has tended to distract attention from the social and economic problems raised by the outcome of the Palestinian war. It is all too easily assumed that if the political and military questions could be settled, all could be settled—quite soon and fairly easily. But this is, in fact, far from being the case.

In the first place, the war has resulted in the creation

of two states—Israel and Jordan—which are unviable economically without—and even with—substantial financial assistance. The main reason for this is simple: there are too many people in countries too poor to support them. Let us take Israel first, which is by far the better off of the two. Not only does she possess 80 per cent. of the former mandated area of Palestine (8,000 out of 10,000 square miles), a proportion which is interesting to compare with the 55 per cent. allotted to her by the United Nations award of 1948; and the 6½ per cent. actually bought and cultivated by her nationals before 1948. She has also acquired all the richest agricultural land which Palestine contained, all the citrus groves, half of which were owned by Arabs before 1948, all the rich coastal plains, all modern Jerusalem, all the former water supply of Jerusalem, and—more important still for her future development—a sufficient surplus of water supplies from all sources in the north to enable her to irrigate large parts of the arid Negev in the south. She has a Mediterranean as well as a Red Sea port and complete control of the Haifa railway. Two-thirds of her population are of European origin and therefore possess in large measure the skill and managing capacity necessary to a modern progressive state. She has a population of about 1,750,000 people. In 1947 the area now lying within her borders contained 1,500,000 people. Already considered by experts to be over-populated then, it must certainly be over-populated now. But it is nothing like as over-populated as the Kingdom of Jordan.

Israel has, too, received financial aid on an unprecedented scale in relation to the size of her population. The total amount of aid received by her since 1948 has been estimated at £700,000,000. Of this about £200,000,000 has come from world Jewry, mostly in the form of a gift; about £200,000,000 from German reparations delivered up to date, all in the form of a gift; and £105,000,000 from the United States Government—£65,500,000 in the form of a gift and £40,000,000 in the form of loans. With all these initial advantages and all this financial help, what is Israel's position today? Certainly there has been much progress since 1948. The amount of cultivated land has doubled and the irrigated area has trebled. Agricultural and industrial output have both increased enormously and so has overseas trade. Some 750,000 new immigrants have been absorbed and there is little unemployment.

This is the credit side of the picture. But the debit side



is dark and overshadows it, for, in spite of all this, Israel is still able to pay for only 30 per cent. of her own imports. According to her own estimates she will, too, need further financial assistance to the value of £570,000,000 over the next five years, if she is to narrow the gap in her balance of payments to a proportion small enough to be covered by more or less permanent contributions from world Jewry. She counts on getting £140,000,000 from the rest of the German reparations due to her; £62,000,000 from the United States; and £76,000,000 from private investment. For the rest—£291,000,000—she has only world Jewry to turn to. Even if she receives these vast sums there is in fact no guarantee that she will be able to pay her way by 1960, for by then her population by natural increase alone will have reached the 2,000,000 mark, and if North African immigration continues at the present rate it will be about 2,200,000. So the financial prospect for Israel is not bright—especially as only about a quarter of the aid received by her has gone into really productive enterprise; whilst about half has simply been consumed. Will these ratios necessarily change?

Agricultural Targets for 1960

Her agricultural targets for 1960 envisage an increase of 250,000 acres in the irrigated area, with an accompanying increase in production big enough to make her self-sufficient in all foodstuffs except grains. But it is not clear where all this irrigated land is to come from.

At present, plans seem to be limited to irrigating about 50,000 acres in the Negev. But even with these, great difficulties are being encountered. There are financial difficulties because most of the settlers are new immigrants from North Africa, and the cost of settling a new immigrant from a backward country upon the land, even at a standard well below a European one, is £400 a head. There are also social and economic difficulties because the new immigrants, who are in any case not peasants but artisans or townfolk in origin, have primitive methods and habits, and cannot be taught to cultivate well. Nor can they do what is expected of every rural settler in Israel—namely, co-operate.

In any case, self-sufficiency in foodstuffs could not solve Israel's problems. It is on the development of industry and industrial exports that her future must primarily depend. The increase in her industrial output and overseas trade since 1948 means little, because there was little industry then and practically no overseas trade. Not only does industry need large capital investment to get going at all, but continuing costs will be heavy because, with few exceptions, all Israel's industrial raw materials have to be imported. Her trading prospects are further handicapped by low productivity, and by high costs of production, owing to the inflationary trends in her economy. These have been much aggravated by her absorption of such a large number of immigrants, as well as by her insistence on the maintenance of a near-European standard of living for the bulk of her population. If oil were found in large quantities this might revolutionise the situation. But, at the moment, the amount of oil produced is trifling.

If this is the position of Israel, where it has been officially stated that 'the purpose of the state cannot be considered to be fulfilled unless hundreds of thousands and even millions of Jews who wish or need to come to Israel have entered their homeland', what about Jordan? The new kingdom was formed in 1948 out of a union of West Jordan, the 2,000 square miles of Palestinian territory remaining to the Arabs, and East Jordan, the former mandated territory of Transjordan.

Barring the desert, West Jordan was already considered to be the poorest part of Palestine, and was never agriculturally self-supporting. Before 1948 its pre-war population of 425,000 people lived largely by their connection with the richer parts of Palestine, working in the towns, on the railways, in the Mandate services, and in the British army. Today all these sources of employment have gone and the population has doubled in size. It includes 350,000 refugees, all of whom are fed, at bare subsistence level, but only a

third of whom are housed by Unrra. The increased non-refugee population has to live as best it can on greatly diminished resources. Many thousands die at, or near, starvation level. Particularly catastrophic is the position of the 120,000 people in the frontier villages, who have lost nearly all their richest lands in the plains to Israel. As these people are not homeless they are not officially classed as refugees and receive no rations from Unrra. Their plight is terrible.

East Jordan has no frontier problem. But it has many others. Its pre-war population of 300,000 people has more than doubled in size and includes 140,000 refugees. It was always a poor country barely able to support itself. Most of it is desert; and outside the desert only a narrow strip of hilly land, about 1,000,000 acres in extent, is really cultivable at all. Even this has an uncertain rainfall. By 1948 the country was just reaching the stage when it could do without British subsidies. Now, its standard of living has been dragged right down again by the struggle for work, homes, and food of its own increased population as well as of the refugees.

So the Kingdom of Jordan—taking the east and west part together—has more than doubled its population since 1948. It contains a population of 1,500,000 people—50,000 of whom are refugees; and there are 160,000 unemployed. Since 1948 it has received financial assistance to the value of £114,000,000 from all sources: £75,000,000 from the British Government, most of which has gone in the form of direct subsidies to the Arab Legion, the rest being spent on development loans and ever-growing contributions to the budget; about £35,000,000 from Unrra for the support of the refugees, who cost £10 a year a head; and £4,000,000 in development assistance from the United States. In spite of this, rags, misery, and hunger pervade the country, and it is only able to pay for 20 per cent. of its imports.

The question that really arises is whether, given more financial assistance for development (she has so far received relatively small sums for this purpose), Jordan could really improve her economic position to any appreciable extent. Her only important raw materials are phosphates and Dead Sea salts. Both would probably repay investment, particularly her phosphates, if, as is hoped, the present mine worked on a small scale at Rusafa forms part of a really big deposit. This would improve her balance of payments, if she could surmount the problem of having no Mediterranean port. But the phosphate industry cannot absorb a great amount of labour. The biggest agricultural project considered is the irrigation of 100,000 acres in the Jordan valley, so far held up because of the necessity of an agreement with Israel, who controls the head waters of the Jordan. Some 10,000 acres round Maan might also be irrigated. There might be more terracing of the rocky hillsides of West Jordan, with the help of British loans; and further conversion of cereal lands in East Jordan to more paying terraced cultivation. Light industry might absorb about 20,000 people. But all this, the Jordan valley scheme included, would provide work for only about 300,000 more people in the next ten years, when the present population will have increased by 500,000. It seems clear therefore that Jordan simply cannot support its population, and that something will in any case have to be done about the 500,000 refugees.

Resettlement of Refugees

This raises the whole problem of the resettlement of the refugees—about 900,000 in all. Besides those in Jordan there are 215,000 in the tiny desert Gaza strip controlled by Egypt; 104,000 in the Lebanon; and 88,000 in Syria. Even supposing a political settlement were reached with Israel, and the refugees agreed in return for compensation to go elsewhere, the question is, where are they to go? It is all too commonly assumed that it would be easy for the Arab States to take them. But is this really so? Jordan cannot keep those she has. Nor can the Lebanon, which is already over-populated. Egypt, which is even more over-populated herself, cannot take them, though she has generously undertaken to reclaim part of the Sinai desert in order to pu

60,000 of those from Gaza upon the land. Saudi Arabia is too poor in natural resources, even if rich in oil royalties, to be considered. There remain Syria and Iraq.

Syria could probably settle those she has, given proper financial assistance. But it seems extremely doubtful whether administratively or economically she could take any more. The western part of Syria is over-populated and there needs to be a shift of population to the east. Land is available—on the Euphrates, possibly 1,000,000 acres. But it needs to be irrigated and it needs to be surveyed because its exact extent is unknown. Because of this and because of the expense involved, the present five-year development plans of Syria envisage the irrigation of only 225,000 acres in the whole of the country by 1960. This land will be needed for Syria's own rapidly increasing population. The total estimated cost of these plans is £190,000,000, £100,000,000 of which are earmarked for the increased costs of the larger and more efficient administration which will be needed to carry them out. They are, too, only plans, because the money to finance them has not yet been found. From this it is clear that enormous sums of money, comparable to those that have been poured into Israel, would be needed if even such land as is available were to be irrigated; that the strain put on the administrative capacity of Syria would be too great to be borne; and even if the land could be irrigated it is not at all certain that the Syrians do not need it themselves.

On the basis of planning already in progress, the only Arab country which will have succeeded—by 1975—in bringing more land under cultivation than is required to maintain its own population (including natural increase) is Iraq.

Iraq has a generally expanding economy. Economically therefore, it could probably absorb a large number of refugees, in time, both on the land and in non-agricultural pursuits; but not administratively. Iraq's administrative capacity is even smaller than that of Syria, and it is difficult to see how she could handle such an increase in population—even by 1975.

When one remembers the difficulties encountered by the Israelis in settling between 300,000 and 400,000 backward Jews both on the land and elsewhere, in a country two-thirds of whose population is rich in the technical skill and organising capacity of the West, then the problem of settling nearly 1,000,000 Arab refugees can be seen in its real perspective. There is also the question of expense. Who is to supply the money, and who is to administer the schemes?

These are the questions, it seems to me, which we, and all other member states of the United Nations, should seriously be asking ourselves, since the responsibility for the whole situation is ultimately ours.

—From a talk in the Third Programme

89/154/01

Offes pa Arab refugees

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TREASURY PRESS CUTTING SECTION

Room 80/1, Ext. 413

To Division

Extract from the ~~23 Nov 1956~~ **TIMES** 1956

Dated 23 Nov 1956

Divisions wishing to make observations or action to be taken should communicate with:-

DEVELOPING THE MIDDLE EAST
DISPLACED ARABS IN NEED OF AID

Press Office
t. 261 or 83
om 123/1
P. O.

TO THE EDITOR OF THE TIMES

Sir,—There can be little doubt about the truth of Mr. Mott-Radclyffe's statement in his letter to-day that the reason why our policy in the Middle East has failed to win the allegiance of the Arab States can be explained by the one word "Israel."

When, immediately on receiving the report of the Anglo-American Committee of Inquiry into Palestine, Mr. Truman hastily made a public statement referring only to the Jews and ignoring important recommendations relating to the Arab community in Palestine, British Ministers were naturally upset and there commenced the train of events which resulted in the partition of Palestine in unhappy circumstances. The loss to 600,000 Arabs of their homes and property was an unexpected and unnecessary result of the creation of an Israel State and this has been the great cause of anger among the Arab peoples ever since.

It is a disgrace to the United Nations that the great majority of them have remained the objects of international charity. No one who saw them as contented and self-supporting, and very often prosperous, members of the Palestine community and has since seen them at various times over the past 10 years, in the sordid and hopeless conditions of refugee camps, can fail to understand the bitterness of feeling created in Arab countries. There can be no hope of better relations until these refugees have been given the chance of becoming self-dependent men and women again. Israel itself depends for its existence upon immense financial support, without economic return, from outside sources, principally from the United States, and it is hard to understand why it has not been regarded as equally necessary to repair the economy of the displaced Arabs.

The present situation is the inevitable effect of this cause and the lapse of time has only increased the need for removing it. It is a United Nations problem but the United States could make a great contribution towards the settlement of present conflicts if, having regard to its great part in the creation of Israel, it took the lead in assuring a financial foundation for its solution. When statesmen appear to be lost in confusion it would give new hope and confidence to their peoples if they were seen to be united in one good and necessary action especially when so much more good might come in the course of such action.

Yours faithfully,
F. W. LEGGETT.

Reform Club, Pall Mall, S.W.1, Nov. 21.

Sir,—Mr. Mott-Radclyffe's reply to-day to Lord Feversham's letter of November 16 brings the light of realism to a situation too long befogged by muddled thinking.

It is not enough to think simply in terms of transferring part of our national income to countries patently in need of development. Nasser had pledged of massive help from the west for Egypt's High Aswan project. Everyone conversant with the International Bank's high standards must have realized that its president, Mr. Black, made great concessions in promising a loan to supplement American and British help, yet Nasser thought it necessary to stigmatize Mr. Black's helpful advice as unwarranted interference with Egypt's domestic affairs. The International Bank is both anxious and able to provide large-scale finance to help underdeveloped areas, but it realizes that a dollar lent on reasonable terms and spent effectively is of infinitely more help than thousands of dollars given and squandered to no good purpose.

Can anyone seriously suggest that those areas most in need of rapid economic development are themselves capable of ensuring that outside help is effectively applied? All question of corruption apart, there must inevitably be gross waste of such help unless the severely limited resources of competent, indigenous manpower are substantially increased by importation of technical and administrative skill. Yet, if help on these terms is at the outset to be labelled imperialism or colonialism and rejected out of hand, what are those who sincerely wish to bring about improvement to do?

If time were of no consequence the west might adopt a Fabian attitude of achieving the achievable and working for gradual but steady improvement. But recent events in the Middle East have shown quite clearly that Russia intends to accelerate her exploitation of irresponsible nationalism and unendurable poverty for the purpose of weakening the west. To attempt to offset Moscow's tanks and volunteers and technical experts by massive western finance given unconditionally will be no better than a policy of "Danegeld"—a policy morally debilitating to the giver and useless to the recipient.

What is the alternative? Like Mr. Mott-Radclyffe I do not pretend to know the answer; but who can doubt that no viable answer is possible unless and until the Commonwealth is strong and united within itself and bound with the closest possible ties to the United States and western Europe?

Yours faithfully,
JOHN BOLTON.

4, Curzon Place, W.1, Nov. 21.

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EXTRACT FROM HANSARD.

DATE 19/12/56
1258/9

**Palestinian Refugees
(Resettlement)**

8. **Dr. Stross** asked the Secretary of State for Foreign Affairs whether he is aware of the United Nations plan for the resettlement of Palestinian Arabs in the Suez area; and what action he intends to take to further this and other plans on their behalf.

Mr. Dodds-Parker: The hon. Member is presumably referring to the scheme for the settlement of 60,000 refugees from Gaza in Western Sinai. I understand that the Egyptian Government have informed the United Nations Relief and Works Agency that they are unable to supply the necessary water until the Aswan High Dam is built, and the scheme is therefore in abeyance.

The only other major scheme under consideration is that for settling 100,000 refugees in the Jordan Valley. This is not practicable until the governments concerned come to an agreement for co-ordinated use of the waters of the Jordan.

Her Majesty's Government will continue to give all possible support to the United Nations Relief and Works Agency in its search for practicable resettlement schemes.

Dr. Stross: Can the Joint Under-Secretary state whether the excuse given that until the Aswan Dam has been created water would not be available is correct?

Mr. Dodds-Parker: I think it probably is. As hon. Members on both sides of the House know, the extension of irrigation works in Egypt is such that they do require over a period ahead a considerable amount of water, but I cannot give a detailed answer on any particular point.

Mr. S. Silverman: Does not the hon. Gentleman realise that this question, like so many other relevant questions about this subject, is completely bedevilled by the general political situation which lies behind it, and that we shall never get any satisfactory settlement of this tragic problem except as part of a general political settlement in the area? Does the

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hon. Gentleman not realise that it is completely impossible to produce any feeling of security between Arabs on the one side and Israelis on the other while all their countries are being periodically played off one against the other by one or other of the great Powers for their own purposes? If that is so, is not it necessary that all the interested parties, without exception, should be got together to make an endeavour to work out an agreed solution.

Mr. Dodds-Parker: While accepting the hon. Member's analysis, I must reject the accusation against Her Majesty's Government either as it affects my right hon. Friends on this Bench or right hon. Gentlemen opposite. I think that we have all done our best since the unhappy days of 1947-48 to reach a settlement.

Mr. Bevan: May I ask the hon. Gentleman to realise that so far as we on these benches are concerned this is not a matter for scoring over one side of the House or the other? There is anxiety in all parts of the House. May I ask the hon. Gentleman to consider that it seems to us that what is required is a general approach to the question so that the various pieces fall into place. The Yarmuk-Jordan Scheme, the Johnson Scheme, the Lowdermilk Scheme and all the other schemes cannot, so far as we can see, be approached intelligently by the Middle East unless they form part of a general design. We should like to know what general design the Government have in mind to advance.

Mr. Dodds-Parker: The Foreign Secretary has just shown how these various problems do exist and affect the problem of a settlement. Sometimes it looks as if a package agreement might be reached and then it falls to bits. Then there may be a suggestion that one or other of the schemes might be proceeded with individually. The right hon. Gentleman knows as well as I do that these various approaches have been made, and Her Majesty's present Ministers will do their utmost to reach a settlement by one way or the other.

M. C. left on.
SECRET

O.F.C.S RA

83-154-01

ACTION COPY 88

EGYPT-ISRAEL RELATIONS

Following is text (received from Canada House) of telegram No. 1268 dated 20th May from the Canadian Mission in New York to the Canadian Government. Begins.

When Engen and I met with the Secretary General on May 17th, Engen reported a conversation which he had with Lall last week. Lall had informed him that Jung, the Indian Ambassador in Cairo, had received instructions to approach the Egyptian Government in an effort to bring about some improvement in Israel-Egypt relations. Jung was to urge the Egyptians to make a policy announcement reaffirming adherence to the non-aggression provisions of the Armistice Agreement (Article 1). This affirmation might be coupled with an expression of willingness to decide disputes through peaceful means and in particular to submit differences about passage of the Suez Canal and the Straits of Tiran to the International Court of Justice. At the same time the Egyptians would be urged to refrain from hostile acts in relation to Israel. Presumably this Indian approach was intended to encourage the Egyptians to follow up their declaration on the Suez Canal with policy pronouncements which would tend to improve the changes of better relations with Israel and to discourage them from continuing the hostile propaganda and other acts which helped to produce the explosive situation of last autumn.

2. The Secretary General remarked that this Indian initiative should be helpful and was not unrelated to the efforts which the Secretary General had made during his recent visits to the Middle East. He mentioned in particular the three questions which he had addressed, both to the Egyptian and the Israel Government, concerning their observance of the Armistice Agreement. Speculating on Indian motives, the Secretary General said he had gained some impression recently that Ben-Gurion might "soon begin a flirtation with Nehru". The Israelis had been considerably disturbed by the chilling effect of the armed intervention last autumn on Israel's relations with India. Perhaps both countries considered that the time for rapprochement was at hand.

Copy to:-

D.II

SUEZ CANAL DISTRIBUTION

U.K. High Commissioner in Ottawa
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U.K. High Commissioner in Accra
U.K. High Commissioner in Salisbury

SOUTH ASIA AND MIDDLE EAST DEPT.

SECRET

E.R.

Sir R. Nathan

Sir D. Phipps
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R.L.W.
SIR LESLIE ROWAN

B/6. TOP SECRET

Mr. Johnston
London 17/6.
O.F.C.S. I.A.

Anglo-American Talks, Stage 3

You will have seen the minutes of a meeting of the Official Committee on the Middle East held last Tuesday (OME(57)20th Meeting) at which the brief for the Anglo-American talks was discussed. We made the points agreed with you in our preparatory discussion, and the Foreign Office undertook to amend the brief accordingly.

You will see that there was some discussion also on Palestine and that the Treasury were asked to consider the extent to which in present circumstances the United Kingdom might be ready to contribute towards the ~~cost of re-settlement~~ ^{contribution} of the Arab refugees. Mr. Johnston has submitted the attached note to me on this subject and after discussing it with I.F., I told Sir Humphrey Trevelyan

(a) that there was no objection to his saying in discussion with the Americans that if there was a prospect of securing a settlement of the Arab refugee problem, for example in return for a lifting of the embargo on the passage of Israel ships through the Canal, H.M.G. would be prepared to do their part in making such a settlement possible. I added, however, that it must be clearly understood that there was no suggestion of any commitment about the amount of any contribution which H.M.G. might be prepared to make.

I told Sir Humphrey that it was all the more necessary to be non-committal about this, since we must reserve the Chancellor's position entirely on the question of what amount of financial assistance the U.K. might be prepared to give. In the first place Ministers had never decided when they were considering the Alpha plan whether the amount of the U.K. government loan should be £15m. or £10m. Moreover the Alpha plan provided for a comprehensive settlement. It certainly could not be assumed that the Chancellor would agree to the same sort of contribution if the settlement were to be limited

/to

TREASURY
17 JUN 1957
O.F.C.S.

to the question of refugees.

Sir Humphrey Trevelyan said that he entirely agreed that he must be non-committal in what he said to the Americans, and there that in particular ~~he~~ must be no suggestion of any figure or order of magnitude.

He also mentioned the question of economic assistance to Jordan and said that he proposed to follow the line agreed by the Middle East (Official) Committee, namely that once the question of ~~air~~^{overflying} rights had been settled, the U.K. Government would be prepared to consider the possibility of future aid. But here again he would make it clear that when we said "consider" we meant "consider" and that we should be perfectly free to come to the conclusion ~~when~~^{if} we so decided, that we could not do anything for Jordan.

David

13th June, 1957

cc. Mr. Armstrong
Mr. Peck.

TOP SECRETSIR DENIS RICKETT

cc. Mr. W. Armstrong.

ALPHA

I am very sorry to have overlooked the promise to Sir H. Trevelyan that we would give him a note about this.

2. In 1955, Ministers approved the Alpha plan in principle, the main features of which were as follows:

(a) the most Israel could afford for compensation to the Arab refugees was £100 million;

(b) it was unlikely that she could find more than £15 million of this from her own resources or from Jews outside the Commonwealth;

(c) therefore external aid would be needed to help her find the balance. As to this, the suggestion was that the Americans would find £50 million, and other Governments £5 million (from loans or grants). The balance would be found as to £15 million by allowing Israel to sell bonds in the U.K. and Sterling Area. But

(d) Ministers did not decide whether the final £15 million should be found by way of a ten-year loan from the U.K. since the then Chancellor thought that £10 million should suffice.

3. Ministers therefore agreed that the amount to be lent by the U.K. should be further discussed between the Chancellor and the Foreign Secretary. ^{(CM (55) 15th Conclusions)} In fact these discussions have never been held and the matter remains unresolved.

4. In addition, of course, to any sums that we may be called upon to lend Israel in order to enable her to pay compensation, we shall have to make a contribution towards the cost of resettlement. No firm estimate has been prepared for this. Much depends on what schemes are adopted, e.g., whether the Johnston Plan goes forward. But, on the scale of our normal contributions to U.N.W.R.A., resettlement might cost us £20 million. *The Treasury remain entirely uncommitted on this.*

MSJ
(M. E. JOHNSTON)
13th June, 1957

EXTRA 111 N HANSARD.
DATE. 29/7/57
CUL. W. A. 100/101

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Refugees

72. **Mr. Sorensen** asked the Secretary of State for Foreign Affairs approximately how many refugees now remain under the supervision of the United Nations compared with two years ago ; in what areas

encampments remain ; and, in particular, what progress has been made in securing the aid and resettlement of Arab refugees now in Jordan and elsewhere.

Mr. Selwyn Lloyd : There are estimated to be roughly 2 million refugees within the mandate of the United Nations High Commissioner (which does not include Palestine refugees). Of these only 50,330 were living in camps on 1st January, 1957. This was 34,000 less than on 1st January, 1955.

In June, 1956, there were 922,279 registered Palestine refugees compared with 887,058 in June, 1954.

There are refugee camps in Austria, Germany, Italy and Greece ; and also in Jordan, Syria, Lebanon and Gaza.

The Palestine refugees are maintained by the United Nations Relief and Works Agency on standards which provide for their essential basic needs. Little progress has been made in their resettlement owing to their unabated desire to return to their homeland.

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Mr. Owen : How long can the House anticipate it will be before the Government's consideration of this matters takes place? Some weeks have elapsed since the reply was given to my hon. Friend the Member for Merthyr Tydfil (Mr. S. O. Davies). Is this not a unique opportunity whereby the United Nations can be drawn into consultation on the matter and secure a probable disengagement of forces which might lead to a useful pilot scheme?

Mr. Harvey : With respect to the hon. Gentleman, consultation is not a matter which one participant can control. It is a question of all being agreed. With regard to the hon. Gentleman's second point, it is as the result of the refusal to abide by United Nations' decisions that many of these difficulties arise.

Mr. Bevan : Will the hon. Gentleman tell the House through what agency the consultations are taking place? Is the Director-General of the United Nations involved in them?

Mr. Harvey : That is another question, but I will endeavour to answer it.

**GENERAL NORSTAD
(STATEMENT)**

6. **Mr. Zilliacus** asked the Secretary of State for Foreign Affairs why Her Majesty's Government, as a member of the North Atlantic Treaty Organisation, assented to the Commander-in-Chief of the North Atlantic Treaty Organisation, General Norstad, publicly demanding tactical nuclear weapons for Western Germany.

19. **Mr. Frank Allaun** asked the Secretary of State for Foreign Affairs why Her Majesty's Government, as a member of the North Atlantic Treaty Organisation, assented to the statement by General Norstad that the equipment of the Bundeswehr with tactical nuclear weapons was indispensable.

Mr. Ian Harvey : The assent of Her Majesty's Government was not required.

Mr. Zilliacus : Is it not a fact this statement of General Norstad cuts right across the Rapacki Plan which is a matter for consideration by the Summit Conference, and is it not highly undesirable that the N.A.T.O. Commander

should be allowed publicly to take a line contrary in a matter for decision by Government members of N.A.T.O.?

Mr. Harvey : The decisions of the N.A.T.O. Commander are subject, of course, to N.A.T.O. In a matter of this kind, it is quite impracticable to clear speeches of this kind before they are made.

Mr. Allaun : Is the Joint Under-Secretary of State aware that according to a recent poll eight out of 10 Germans, and surely a higher proportion of the British people, are against giving nuclear weapons to the German army, and will not this kill the Rapacki Plan and the hope of peace in Europe even before the Governments have a chance to discuss it?

Mr. Harvey : Any discussions between the Supreme Commander and the Governments of N.A.T.O. are a matter between him and those Governments. As to the hon. Gentleman's second point, I think that has no bearing upon it at all.

Mr. Bevan : The hon. Member will be aware that this speech by General Norstad did, in fact, alarm quite a number of people. Is N.A.T.O. an abstract organisation for which we have no Governmental responsibility at all?

Mr. Harvey : If the speech by General Norstad alarmed a number of people, it is not the first speech which has alarmed a large number of people.

Mr. Bevan : Hear, hear.

Mr. Harvey : The right hon. Gentleman knows to what I am referring. He knows also that decisions about speeches by the Supreme Commander can be reached by consultation within N.A.T.O., and if the matter arises I have no doubt it will be discussed.

Mr. Bevan : Will the hon. Member inform the House that the Government will take the responsibility of raising the matter at N.A.T.O.? How can it be raised at N.A.T.O. if nobody raises it?

Mr. Harvey : We are not nobody.

ARAB REFUGEES

7. **Mr. Shinwell** asked the Secretary of State for Foreign Affairs whether he is aware of the decision of the State of

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Israel to release bank accounts to the value of 8 million dollars in favour of Arab refugees and their offer to the United Nations to pay compensation for abandoned lands as a contribution to Arab refugee settlement; whether the United Nations has yet conveyed this offer to any of the Arab countries; and with what result.

21. **Mr. Grimond** asked the Secretary of State for Foreign Affairs if he will propose through the United Nations that a fresh effort be made to re-settle the Palestinian refugees within the Iraq-Jordan confederation with the aid of United Nations and Jewish funds.

Commander Noble: As my right hon. Friend said in the House on 27th November, 1957, we shall play our part as members of the United Nations in seeking a solution of the Palestine problem on a basis of justice; and a settlement of the refugees is an essential condition of a final settlement.

I am aware that the Israel Government began in March, 1953, to release the accounts which belonged to Arab refugees but which had until then been blocked in Israel banks. The Conciliation Commission reported in October, 1956, that about 7½ million dollars of the funds in question had been released, out of an estimated total of about 8½ million dollars.

This action appears to have no connection with the question of compensation for abandoned lands and so far as Her Majesty's Government are at present aware no new initiative in this respect has been taken by the Israel Government.

Mr. Shinwell: Yes, but will the right hon. and gallant Gentleman be good enough to answer my Question? What I wished to know was whether this gesture had been taken up with the United Nations and conveyed to the Arab countries. The right hon. and gallant Gentleman has not answered that part of the Question. Does he not regard this gesture as very welcome as possibly leading to a solution of one of the principal problems concerning the Middle East?

Commander Noble: I certainly hope that this gesture may lead to the solving of this problem, but I think that the Arab countries and the United Nations are well aware of the information to which the right hon. Gentleman has

drawn our attention. This started in 1953, and the moneys concerned were funds which belonged to the refugees and had been blocked.

Mr. Shinwell: Will the right hon. and gallant Gentleman be good enough to answer my question? Is it quite explicit. What I want to know is whether the United Nations has taken any action in the matter and conveyed this gesture to the Arab countries. Will he answer that?

Commander Noble: I am afraid I have not got that information—[HON. MEMBERS: "Oh."]—but perhaps the right hon. Gentleman's Question will have drawn attention to it. As I said in my Answer, this has been going on since 1953. I rather hoped that the right hon. Gentleman had got some new information for us. If so, I shall be very glad to have it.

Mr. Grimond: While appreciating that this matter has a long history, may I ask whether the right hon. and gallant Gentleman does not think that the situation has altered somewhat owing to the confederation of Iraq and Jordan, coupled with the present offer by the Israel Government making funds available? Is not this the moment, possibly, for some new effort to be made to encourage a trickle of refugees moving within the Confederation into the fertile crescent and thus lessen tension a little?

Commander Noble: I think it is a little too early to judge this very recent development in the Middle East.

Mr. Bevan: Is it not a fact that for some years a trickle has been going from Jordan to Iraq and that some resettlement has taken place in Iraq, and that perhaps it would be just as well if not too much attention were called to it because, if not, the trickle may grow into a flood?

Commander Noble: That is what I was trying to imply.

MIDDLE EAST (FRONTIERS)

8. **Mr. Beswick** asked the Secretary of State for Foreign Affairs what steps have been taken by Her Majesty's Government to ascertain the willingness, or otherwise, of the Union of Soviet Socialist Republics to join with the three major Western Powers in a guarantee of

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Israeli Reaction to Nasir's AP Interview

83/154/01

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Tel Aviv home service in English 12.00 GMT 9.10.59

Excerpts of report:

Israeli Foreign Ministry circles have reiterated this country's readiness to meet with Col. Nasir at any time and at any place to discuss Israeli-Arab relations. However, there must be no preconditions set for such a meeting. This statement came in reaction to an interview between Col. Nasir and an AP correspondent published yesterday. In the interview he proposed the appointment of a special UN commission to discuss the settlement of all outstanding issues between Israel and the Arabs...

Israeli Foreign Ministry circles pointed out in this connection that such a committee for the implementation of the UN resolutions on Palestine had, in fact, been set up 11 years ago. This committee, called the Palestine Conciliation Commission, has not succeeded in accomplishing its tasks because of the Arabs' refusal to co-operate. The same circles added that the question to be clarified at present is whether Col. Nasir is ready to recognise the State of Israel and to negotiate with it on a peace settlement.

with the ending of pressure things will gradually return to normal.

Q. Are there any indications that the USA is following a hostile policy against you?

A. Yes in everything connected with our problems with Israel.

You pay great interest to the Israeli viewpoint while the Arab viewpoint is ignored. As the result of many experiences we feel that Israel's interests are given first place by you. Evidence of this is the statement made a few days ago by the US Secretary of State on the question of Israeli shipping in the Suez Canal. Your Secretary of State spoke of what he called Israel's right to use the Canal. Does he ever think of saying a word about the Arabs' rights in Palestine?

The alleged right of Israel to use the Suez Canal is a matter which I do not think can be compared with the legitimate rights of the Arabs to their homeland, land, and property.

Q. What is the next step for the UAR domestic political structure?

A. Studies on this subject are reaching the final stages. The full formation of the National Union will be announced within the next two weeks. The Union is the regulator of the domestic political structure in the UAR. The National Assembly, which

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Nasir's AP and 'Christian Science Monitor' Interview

83/154/01

MBNA in Arabic 14.00 GMT, and Cairo home service 18.30 and 21.00 GMT and "Voice of the Arabs" 18.00 GMT 9.10.59

Text of report of Abd an-Nasir's AP and 'Christian Science Monitor' interview:

Cairo: At 19.00 on Wednesday, 7th October, President Jamal Abd an-Nasir received Wilton Wayne, Director of the AP office in Cairo and Harry Ellis, correspondent of Christian Science Monitor'. The following is the official text of questions they addressed to the President and his answers:

Q. In view of the present uproar at the UN regarding the question of banning Israeli ships from passing through the Suez Canal and in view of what Dr. Mahmud Fawzi, UAR Foreign Minister, has stated - that this question merely forms part of the whole Palestine problem - we would like to ask you what are the conditions whereby it would be possible to find a solution to the problem, so that the present tension prevailing in the Middle East region might be eased. Israel claims that the cause and source of the present tension is your insistence on banning its ships from passing through the Suez Canal, despite the Security Council's 1951 resolution which clearly states that Israeli ships should be allowed to pass through the Canal. The Israeli Government says that you insist on refusing to comply with this resolution. What is your opinion?

A. The acute tension that now prevails in the region may, regardless of its causes and motives, be partly considered an artificial tension which Israel purposely creates so as to collect the largest possible amount of money. In connection with the present uproar at the UN over the ban on Israeli ships using the Suez Canal, I believe that it would not be natural for the UN resolutions to be implemented by the UAR, whilst Israel rejects these resolutions in their totality - particularly those connected with the rights of the Palestine Arabs.

lost hope of dominating Jordan, Lebanon, Sudan, and Saudi Arabia. Recently he has been compelled to dissociate himself from Yemen and Algeria.

"However, Abd an-Nasir realises that if Iraq falls under his domination, the wheels will turn again, and his imperialist dream of dominating the area will become more realistic, and the Middle Eastern States will fall under his yoke, one after the other. This is the reason he sticks to his quarrel with Qasim. His repeated allegations that Gen. Qasim is a Communist or an agent of communism are unfounded, empty allegations. President Habib Bourguiba of Tunisia, whose anti-communism no one doubts, sees in Gen. Qasim a pure Iraqi nationalist. Everybody knows that were it not for Abd an-Nasir's plots in Iraq, Gen. Qasim would have been able to restrict Communist activities in Iraq, and would have been able to set up a stable, neutral regime.

It seems that President Abd an-Nasir knows this fact. His aim then is to widen the extent of the dispute between his supporters and the Communists themselves, so as to divide the Iraqi people into two fronts only, in order to deprive Gen. Qasim of popular support which depends neither on the Communists nor on the Nasirists."

'Davar' concludes: "The expansionist aims of Abd an-Nasir are the original source of all troubles, whether in the Arab world or throughout the Middle Eastern area. These aims are the source of instability today in Iraq, tomorrow in Jordan, Lebanon, the Sudan and Saudi Arabia, and the day after tomorrow in North Africa and even in non-Arab countries such as Ethiopia."

The 'Jerusalem Post' says: "In spite of last night's reports, which say that life is back to normal in Iraq and that Gen. Abd al-Karim Qasim will leave hospital today, the attempt to assassinate him will undoubtedly have an effect on future events in Iraq and the Arab world. Relations between the UAR and Iraq will grow worse, and the competition between the Communists and their opponents will increase in violence, and consequently the dispute between Abd an-Nasir and the Communist bloc will increase too.

"In fact, Abd an-Nasir's failure to destroy his opponents has become quite clear. A few days ago, a Tunisian court sentenced to death a number of people on charges of attempting to assassinate President Bourguiba of Tunisia in accordance with a Nasirist plan drawn up in Cairo."

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Israel has even refused to be bound by the Conciliation Commission set up in 1949 by the USA, France and Turkey with a view to studying means whereby the UN resolutions could be implemented. Israel attended only one or two of the Commission's sessions. It was then disclosed that they attended these meetings only to appear to be yielding to the UN resolutions so as to be able to join that international organisation. The day Israel achieved membership it became evident that all its interest in the Commission and the UN resolutions was at an end. Israel then directed all its efforts solely to the propaganda field. This included its repeated request for negotiations with the Arabs, although the question needs no negotiation or discussion.

The solution to the problem exists in the UN resolutions, and the means for their implementation were available in form of a commission set up by the UN and accepted by the Arabs and Israel for this purpose. Israel, however, refused to be bound by the resolutions or by the Commission which was charged with their implementation. Therefore, Israel does not want a solution to the problem nor does it wish to end the state of tension. It only seeks propaganda and the collection of donations.

As to the Arab aspect, it is obvious that there are several causes for anxiety besides what has happened to Palestine and the people of Palestine and besides Israel's abrogation of the UN resolutions. Israel has always pursued a hostile policy toward the Arabs. Aggression has always been Israel's policy. We shall not, perhaps, forget the events of 1956 which were not merely aggression but invasion. Perhaps we shall not forget that Israel would actually have proclaimed that part of the Egyptian territory, from which the Egyptian Army had to withdraw to face the Anglo-French Armies which landed in the Suez Canal, was annexed to Israel, had it not been forced, following the Anglo-French withdrawal from the Canal, to retreat in its turn.

Q. Can the UAR lay down definite proposals by which to clarify its attitude for public opinion and force Israel to define its stand?

A. I declared on 22nd July that we are prepared to accept the UN resolutions should Israel respect and implement these resolutions.

Q. You mean all the UN resolutions on Palestine?

A. Of course, the resolutions on Palestine constitute an indivisible whole. In addition Israel insists on its claims and raises a clamour at the UN: The right of the refugees to repatriation, the right to their properties and to compensation, and the right to Palestine. The question is clear and simple. We demand the rights of the Palestinian people, but Israel refuses. We demand that the UN resolutions on Palestine be implemented. But Israel defies the UN, and, moreover, claims the right of passage in the Suez Canal while ignoring the rights of the Arabs.

Can the UN resolutions be binding for one party and not for the other? Should we approve the passage of Israeli ships through the Suez Canal we would, in effect, be approving all Israel's claims and allowing the Arabs to lose all their rights.

On the other hand, we are barring Israeli ships from passing through the Canal by virtue of our rights, which are guaranteed us by international conventions, particularly the 1888 Constantinople Agreement. This Agreement grants us the right, in a state of war, to safeguard the security of the territory through which the Canal passes.

As for the state of war, it astonished me that following the frustration of the 1956 aggression against Egypt and the withdrawal of the defeated invasion forces, the British Foreign Secretary Selwyn Lloyd asked me through the UN Secretary-General Hammarskjöld to write a letter in which I would state that the measures applicable to Israeli ships would not be applied to British ships. Selwyn Lloyd was thus explicitly recognising the existence of a state of war between ourselves and Israel, and asking that British ships be exempted of the measures applicable in a state of war, on the grounds that Britain had withdrawn its aggressor forces from our territory. This was in fact

done. As soon as the withdrawal of the Anglo-French aggressor forces was complete, we handed such a letter to the UN Secretary-General, to be handed in turn to the British Government.

As far as Israel is concerned, it is obvious enough that the state of war continues and will continue as long as its aggression against our Arab territory continues. It is peculiar indeed that Mr. Selwyn Lloyd forgot all this while he was speaking about the question of banning Israeli ships from passing through the Suez Canal at the UN General Assembly several days ago.

Q. The 1951 UN resolution found that the armistice put an end to the state of war.

A. We believe that the armistice did not end the state of war. Israeli aggression against the Arab soil in Palestine is still going on. Israel's aggressive intentions also still exist. I once again recall the 1956 aggression, so that those who imagine that the armistice ended the war may not forget.

Q. Is there no feasible way of finding a starting-point for the solution of this problem?

A. The sole starting-point is the implementation of all the UN resolutions. The observance of these resolutions cannot possibly be imposed on us alone while their defiance by others is accepted. All our problems with Israel derive from our consent to the implementation of the UN resolutions. Let me remind you of what I saw myself when I was an officer fighting in Palestine. The Israeli forces were able to take over all that Arab territory now under their control merely because the Arab States alone consented to implement the UN cease-fire resolutions, whereas these resolutions presented Israel with a safe opportunity to continue its aggression.

Our position then became weak because we had placed our confidence in the UN, believing it had the power to repel the aggressors and to implement its resolutions. However, as I have said, we are now prepared to implement all the resolutions of the UN on condition that these resolutions are respected by others as much as we respect them.

The UN is stronger than in 1948 and its prestige is greater. We are prepared to offer every assistance to the UN in order to implement its resolutions. Should the UN wish to set up a commission or an organisation with the task of implementing the UN resolutions, we would welcome and co-operate with this commission or organisation.

Q. This explains the situation regarding Palestine. Would you permit us to move to another subject? We wish to ask about the crisis with China. Does Your Excellency believe that this crisis will lead to breaking off relations with the Peking Government?

~~A. To give one of the Communists who is working against our country the opportunity to speak at an official celebration such as the 10th anniversary of the Chinese revolution in the presence of our Embassy officials there, is not a friendly gesture. We have interpreted this behaviour on the part of the Chinese Government as approval of Khalid Bakdash's statements, for no Government would, in its relations with another Government, permit this unless there was a desire for and insistence on defiance.~~

~~We asked the Charge d'Affaires in Peking to lodge a protest and later summoned him to Cairo to report on the situation in detail. We are studying the measures to be taken. Our attitude is clear. We do not accept insults from any source. We consider what took place in China to be an insult. We accept interference from no one. We consider what took place in China to be interference in our domestic affairs.~~

Q. Will the matter reach the stage of breaking off relations?

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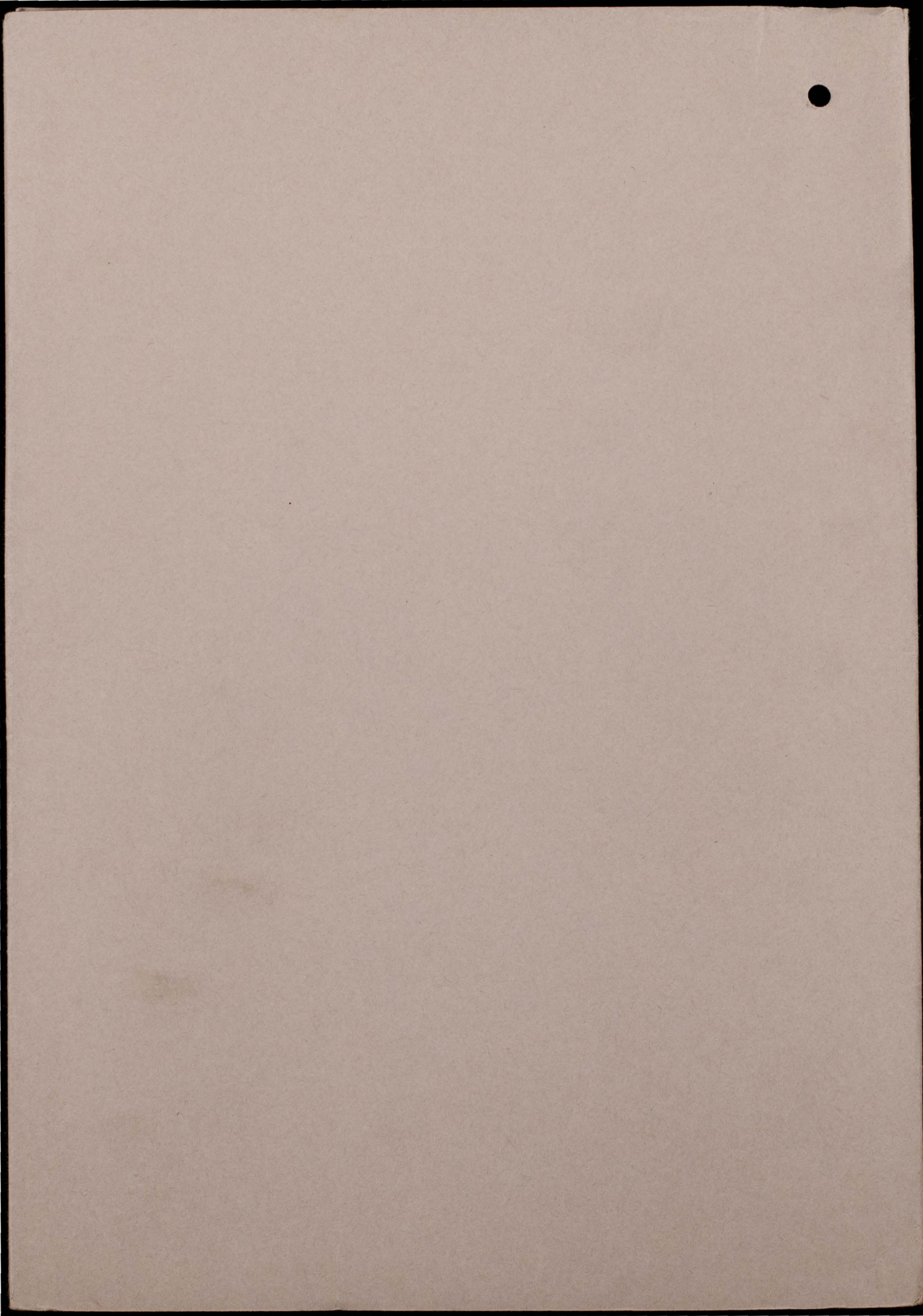
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13/5/62



Israeli-Arab settlement involving Israeli compensation to Arab refugees. 1955-1959. MS Refugee Records from the Offices of the United Kingdom, 1947-1970 T 236/4424. The National Archives (Kew, United Kingdom). Refugees, Relief, and Resettlement, link.gale.com/apps/doc/IEBDGQ521946204/RRRW?u=omni&sid=bookmark-RRRW&pg=1. Accessed 6 Apr. 2024.